As of 11 a.m. ET **DJIA** 10095.14 ▼ 1.71% **FTSE 100** 5139.31 ▼ 2.17% **Nikkei 225** 10355.98 ▼ 0.46% **Shanghai Comp.** 2995.31 ▼ 0.28% **Hang Seng** 20341.64 ▼ 1.84% **Sensex** 16224.95 ▼ 1.64% **S&P/ASX 200** 4621.60 ▼ 0.57%

Taiwan takes wing: A butterfly migration
WEEKEND JOURNAL W8

Will America defend its Asian allies?
EDITORIAL & OPINION 9

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Toyota expands hybrid brakes probe

By Juro Osawa And Yoshio Takahashi

Toyota Motor Corp. said it knew previously about complaints related to the brakes of its Prius hybrid car and Thursday expanded a safety probe to all its hybrid models, overshadowing surprising earnings growth in the last quarter and expectations of a profit for the fiscal year.

The Japanese auto maker said it found and corrected problems with its new 2010 Prius hybrid and said it did not try to "cover up" the glitch. But the disclosure and the expansion of its investigation to include such models as its Lexus HS250h and Sai hybrid sedans come amid intensifying government and public scrutiny of the world's No. 1 auto maker by sales.

The company so far has received 77 complaints on Prius brakes through its dealers, though they haven't been blamed for any fatalities. The 2010 Prius is the third generation of the world's best-selling gasoline-electric hybrid and a pillar of Toyota's strategy for boosting its image as an auto-industry technology leader. The vehicle is Japan's No. 1 car in terms of sales and is a top seller in the U.S.

The U.S. National Highway Traffic Safety Administration Thursday said it has opened a "preliminary evaluation" of the 2010 Prius after receiving 124 complaints from owners about braking problems, including four accidents. Toyota said it will cooperate with the investigation.

Toyota is separately recalling more than six million other vehicles to correct problems linked to sudden acceleration, which it has blamed on out-of-position floor mats and sticky accelerator pedals. Toyota said the recall will reduce its earnings on an operating level by 70 billion yen to 80 billion yen in the current fiscal year. It also pegged its cost of fixing recall problems at 100 billion yen.

Takuo Sasaki, a managing officer at Toyota in Japan, said the company expects to lose sales of 100,000 vehicles globally, with 80,000 of them in North America, though the figures could change.

"We'll be making maximum all-out efforts to restore confidence in our customers early, and that will help minimize the impact," Mr. Sasaki said on a conference call.

U.S Transportation Secretary Ray LaHood said Wednesday that his agency is widening its probe into the accelerator matter to look at the possibility of electromagnetic interference with elec-

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Under the hood

- Toyota's reach touches all corners of Japan 18
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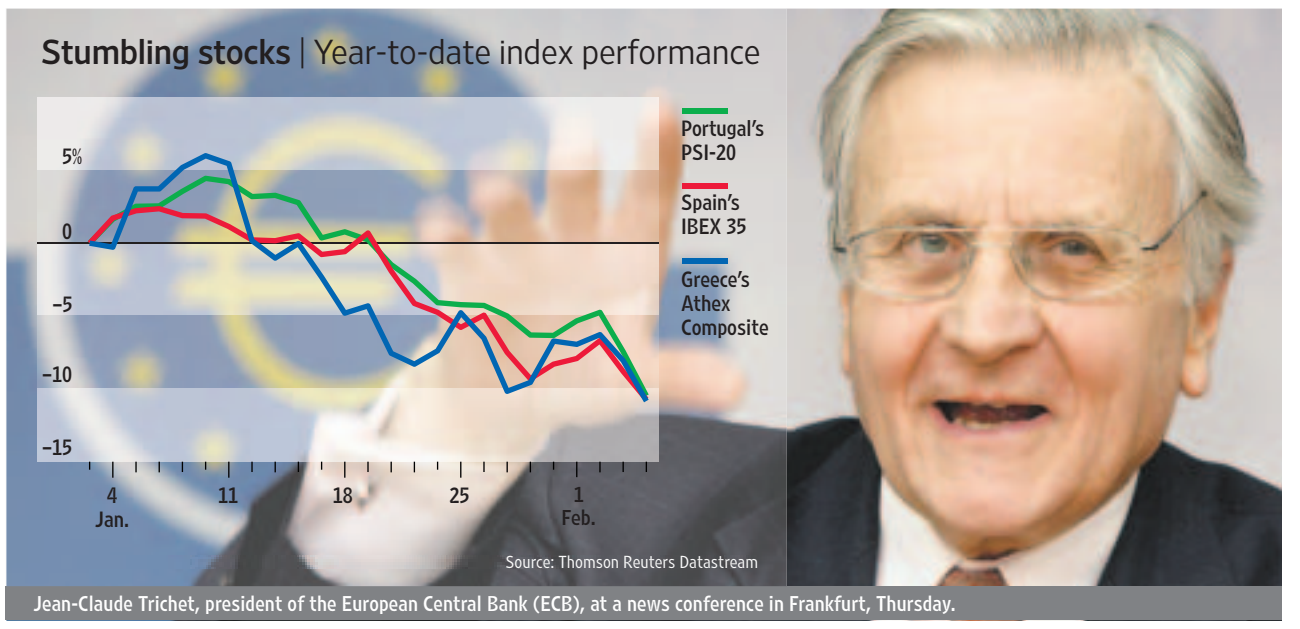
Fears about euro-zone deficits roil markets



Jean-Claude Trichet, president of the European Central Bank (ECB), at a news conference in Frankfurt, Thursday.

By Brian Blackstone

FRANKFURT—European Central Bank President Jean-Claude Trichet delivered an impassioned defense of Europe's common currency as the market continued to cast doubt on the ability of Greece and other debt-ridden euro-zone countries to get their deficits under control.

Mr. Trichet's remarks came as worries spread through financial markets that Greece's fiscal woes will extend to other countries including Portugal and Spain. The cost of insuring the sovereign debt of those countries against default soared Thursday, putting downward pressure on the euro. Leading stock indexes in those countries also tumbled.

By midday, the Dow Jones Industrial Average was off 200 points at 10070. The declines were even more severe in commodities, with March oil futures down 4.9% to $73.23 a barrel and gold for April delivery, the most actively traded contract, down $50, or 4.4% at $1,062 an ounce.

Throughout the day, investors fled currencies and markets that are seen as taking the biggest hit should debt troubles in Greece or elsewhere lead to a full-blown crisis. The euro hit $1.3756 at the close of European trading, sharply down from $1.3905 Wednesday. The euro continued to fall against the dollar after Mr. Trichet's remarks.

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Football superstar tests his limits

By Jonathan Clegg And Bruce Orwall

Tiger Woods kept his saucy private life under wraps for years, but the flaws of English football superstar John Terry, one of the country's most prominent athletes, have always been on very public display.

In 2001, Mr. Terry drunkenly taunted American tourists in a Heathrow Airport hotel in the immediate aftermath of the World Trade Center attacks. A year later, he was caught on camera urinating in a beer glass, which he then dropped on the floor. In 2008, Mr. Terry was fined for parking his Bentley in a spot for the disabled. Last December, he was secretly filmed by undercover reporters giving unauthorized tours of his team's training ground to journalists posing as businessmen, allegedly in return for £10,000 (or $15,900) cash. Mr. Terry has denied accepting money for the tour.

Getty Images

English national teammates Wayne Bridge, left, and John Terry

None of these pratfalls stopped Mr. Terry from winning and keeping one of the nation's highest honors: being named captain of England's national football team, a cherished post he has held since 2006. But now Mr. Terry stands accused of the taboo offense that might finally cost him the job: having an affair with a teammate's partner.

Late last week, a U.K. High Court lifted an injunction preventing publication of allegations that Mr. Terry, the married father of twin 3-year-olds, had engaged in an extramarital relationship with the former girlfriend of Wayne Bridge—a teammate of his on England's national team who formerly played alongside Mr. Terry for Chelsea in the English Premier League. Mr. Bridge and the woman, lingerie model Vanessa Perroncel, have a child together.

A spokesman for Mr. Terry said his "position is that this is a private matter." Chelsea issued a statement saying: "The club will give John and his family all the support they need in dealing with it." The

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12-Node SPARC Enterprise T5440 server cluster, 7,646,486 tpmC, $2.36/tpmC, available 3/19/10.
IBM Power 595 Server Model 9119-FHA, 6,085,166 tpmC, $2.81/tpmC, available 12/10/08.

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What's News—

* * *

Business & Finance

■ **China filed a complaint** against EU shoe tariffs at the WTO, as Beijing continued its legal assault on what it says is unfair Western protectionism. The EU duties were inaugurated in 2006 and then were extended for 15 months in December 2009. **3**

■ **Financial markets took** a collective dive as mounting concerns about high U.S. unemployment and the stability of deficit-heavy euro-zone economies drove investors out of riskier assets. **13**

■ **U.S. productivity continued** to rise strongly in the fourth quarter of 2009, data showed. Separately, jobless claims unexpectedly rose last week to 480,000.

■ **Polo Ralph Lauren warned** that the costs of expanding its business in Asia will shave as much as 10 cents off of per-share earnings in the current quarter. **17**

■ **Lenovo swung** to a quarterly profit amid a 42% surge in PC shipments, after the firm changed its strategy to focus on China. **14**

■ **Hitachi returned** to the black in its fiscal third quarter, helped by cost-cutting. The maker of electronics and industrial machinery also named a new president. **14**

■ **The arrests of several** executives, including one from Hynix Semiconductor, on suspicion of stealing technology from a rival could cast a cloud over creditors' efforts to sell a stake in Hynix. **14**

■ **Glaxo's CEO said** U.S. healthcare overhaul is unlikely this year, as it reported a rise in profit. **16**

■ **New York's attorney general** filed civil securities-fraud charges against BofA's former CEO Lewis and former CFO Price, alleging they decided not to disclose losses at Merrill before getting approval to buy the firm. **20**

■ **U.S. retailers continued** their comeback last month, with long-suffering categories like department stores and apparel retailers showing signs that consumers are returning. **16**

■ **Shell posted** disappointing results, dragged down by what CEO Peter Voser called the worst refining environment in his 25 years at the company. **15**

■ **China's demand for copper** is forecast to remain strong, and global supplies are likely to show only a small surplus. **20**

■ **Banco Santander** reported a 13% rise in fourth-quarter profit, helped by growth and acquisitions at its U.K. and Brazilian retail banks, which offset weakness in its Spanish home market. **21**

Reuters

Sony posted its first profit in five quarters and narrowed its full-year loss projections. It also reaffirmed that cost-cutting measures finally should deliver profitability at its electronics and videogame divisions. Above, a couple looks at Sony's portable music players at an electronics store in Tokyo on Thursday. **Page 13**.

■ **Dubai said it discovered** a new oil field in the Persian Gulf that could boost its economy at a time when it is struggling with a multi-billion-dollar debt.

* * *

World-Wide

■ **India has formally proposed** talks with Pakistan for the first time since the 2008 Mumbai terrorist attacks. **4**

■ **Japan's Ozawa eluded** criminal charges by prosecutors investigating his fund-raising activities, ending one chapter of the political drama. **6**

■ **The U.S. remains uncertain** whether the leader of the Pakistani Taliban is dead, signaling a deficit of intelligence from the border region. **7**

■ **The trial** of the ex-judicial chief of Chongqing exposes the challenges China's central government faces in its push to overhaul a corruption-plagued legal system. **6**

■ **More than half the members** of Britain's Parliament have been forced to pay back a total of over $1.59 million for dubious expense claims, according to a report on the political scandal.

■ **An antiterrorism** data-sharing deal between the EU and the U.S. came under fresh attack when a European Parliamentary committee rejected the deal.

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After the success of "Avatar," Warner Bros. announced that its movie, "Clash of the Titans," will be released in 3-D when it hits theaters this April.

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China's reliance on hydropower maybe be coming back to haunt it. The reason: in an age of global warming, dams are running dry.

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WORLD NEWS

China takes on EU over shoe tariffs

Beijing files formal complaint at World Trade Organization, saying 16.5% antidumping duties are protectionism

By John W. Miller

China filed a complaint against European Union shoe tariffs at the World Trade Organization on Thursday, as Beijing continued its legal assault on what it says is unfair Western protectionism.

China's exports have been growing since the 1990s, particularly after the country joined the WTO in 2001. Eight years later, China passed Germany to become the world's top exporter. That status comes with a price: China is now the leading target for protectionist measures, according to Global Trade Alert, an independent monitor.

As the fitful economic recovery has put some domestic jobs and profits at risk, the EU and the U.S. have sought to stem the flow of Chinese imports with special duties. Added to existing tariffs, the duties are meant to make Chinese goods too expensive for consumers to afford.

China isn't taking the restrictions lying down. From a new office near WTO headquarters in Geneva, Beijing is playing hardball. It is paying top dollar to engage premium counsel, some trade lawyers say. In September, China reacted to President Barack Obama's tariffs on tire imports with a complaint against the U.S. China has also put restrictions on imports of U.S. poultry and auto parts.

In this case, China is taking on one of the most important tariff increases ever levied, which has taken a bite out of its expansive shoe industry. The 16.5% tariffs are antidumping duties, meant to punish goods that are sold below cost and hurt the sales of domestic producers.

The EU duties were inaugurated in 2006 and extended for 15 months in December 2009.

The duties "violate WTO rules and undermine the legitimate rights and interests of Chinese businesses," Commerce Ministry spokesman Yao Jian said.

The EU dismissed the complaint. "Antidumping duties are not about protectionism," said spokesman John Clancy. "They are about fighting unfair trade." The measures, he said, were imposed only on "evidence that dumping of Chinese products has taken place and that this is harming the otherwise competitive EU industry."

After threatening in December to take the tariffs to the WTO, China filed the formal papers Thursday. The EU now has 60 days to offer a compromise. If none can be found, a three-judge panel will rule on the complaint's merits.

The EU will be asked to prove that companies making shoes in China—many of them European—benefited from tax breaks, low-interest loans and other subsidies which allowed them to sell shoes in Europe below cost, and that the low price of those shoes hurt EU manufacturers.

China has a good chance of prevailing, a number of trade lawyers and analysts say. The EU tariffs were passed after fierce lobbying by Italy on behalf of its shoemakers. Italy horse-traded votes in other debates with EU members for support for the tariffs, EU officials say.

If China wins, the EU would have to suspend the duties or face retaliatory trade restrictions against EU exports to China, such as pharmaceuticals, autos and wine.

A Chinese win would "give a clear enough message that a radical overhaul for the EU antidumping system is a matter of priority," says Nikolay Mizulin, of Hogan & Hartson LLP.

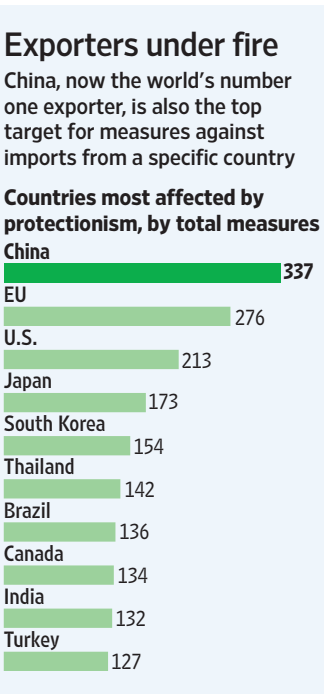
Reuters

Laborers work at a shoe factory in Hefei, Anhui province, late last year.

Exporters under fire

China, now the world's number one exporter, is also the top target for measures against imports from a specific country

Countries most affected by protectionism, by total measures



Note: Measures include tariff hikes, export subsidies, licensing requirements, import bans and 19 other types of restrictions.
Source: Global Trade Alert

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WORLD NEWS: ASIA

India proposes new Pakistan talks

Foreign-secretary-level discussions would mark a thaw in relations following terrorist attacks on Mumbai in 2008

By Amol Sharma

NEW DELHI—India has formally proposed talks with Pakistan for the first time since the 2008 Mumbai terrorist attacks that were planned on its neighbor's soil, a person familiar with the matter said.

The discussions would cover "all relevant issues, including counter-terrorism," the person said, and would be initiated at the level of foreign secretaries. It wasn't clear if the issue of Kashmir, the disputed Himalayan region, would be on the table.

Abdul Basit, a Pakistan Foreign Ministry spokesman, said Pakistan has sought clarification from the Indian government about the agenda and substance of the proposed talks. "We will give our response to the proposal after we have received the reply from Delhi. We want to have meaningful and result-oriented engagement with India," Mr. Basit said. Dates for the proposed discussions weren't available.

India cut off talks with Pakistan after the November 2008 attacks in the financial capital of Mumbai, in which a rampage by gunmen left 166 people dead. Pakistan has acknowledged the attacks were planned by militants on its soil, and has brought several alleged conspirators to trial. But India says key people involved in the attacks are still at large, and has accused Pakistan of dragging its feet.

Agence France-Presse

An Indian soldier keeps people away from the Taj Mahal Hotel after a rescue operation in Mumbai on Nov. 29, 2008.

The proposal comes amid growing optimism on both sides that discussions could restart given the right environment. Indian Home Minister P. Chidambaram is slated to visit Pakistan on Feb. 26 for a regional meeting, the first high-level diplomatic visit by a top Indian official in nearly two years.

G. Parthasarathy, a former Indian envoy to Pakistan who is now a visiting professor at the Centre for Policy Research in New Delhi, said India will make progress on terrorism only if it can bring to the table Pakistani military officials who have contact with and influence over militant groups. "It is ridiculous to talk to the political leadership in Pakistan on an issue over which they have no control," he said.

It isn't clear if the talks India is proposing will lead to the kind of broad dialogue the countries had in the past, when various levels of the governments engaged each other on sensitive issues and the rivals' relationship showed signs of thawing.

Since the Mumbai attacks, which ground those talks to a halt, there have been some meetings of high-ranking officials, such as when Indian Prime Minister Manmohan Singh met Pakistani Prime Minister Yousuf Raza Gilani last summer on the sidelines of a summit in Egypt. But India has continued to express frustration at what it feels is Pakistan's lack of vigor in cracking down on terrorists on its soil.

U.S. officials have said they would welcome renewed dialogue between the nuclear-armed rivals. On a recent trip to India, Defense Secretary Robert Gates said al Qaeda and regional terrorist groups are determined to incite another war between India and Pakistan.

—Zahid Hussain contributed to this article.

Sumo grand champion retires after brawl

By Yuka Hayashi

TOKYO—The grand champion of sumo, Japan's ancient national sport, stunned the country by announcing he is retiring as a wrestler following a drunken brawl on a Tokyo street that made headlines.

The retirement of the 29-year-old Mongolian wrestler known as Asashoryu is a huge blow to the sport, which has suffered from a shrinking fan base and several blows in recent years. He had just won his 25th national tournament last month and is third on the career list of title winners.

"I have caused a lot of trouble for so many people," Asashoryu told a news conference Thursday. "I decided to step down to bring this to a closure."

The resignation of the yokozuna—the title given to the highest-ranking wrestlers—came after Japanese weekly magazines late last month reported that Asashoryu struck a man and broke his nose after a late-night drinking binge in mid-January. The wrestler said what really happened was "quite different" from the media reports, but didn't give his own account of the incident.

Asashoryu's departure is the latest in a series of embarrassing episodes for the once-proud sumo association, hit by scandals recently including the arrests of marijuana-smoking wrestlers and the hazing death of a trainee. On Monday, the sumo association was shaken by the surprise election to a board seat of a self-styled reformer despite the powerful board's effort to put in preselected candidates.

Mishaps by top wrestlers have long been part of sumo. In 1987, a 24-year-old yokozuna called Futahaguro was forced to step down after a skirmish in his stable led him to beat the wife of the stable master. In 1949, yokozuna Maedayama lost his job after skipping a match to watch a baseball game played by a U.S. team, the San Francisco Seals, during its tour of Japan.

Reuters

Mongolian-born sumo grand champion Asashoryu wipes tears during his announcement at a Tokyo press conference on Thursday that he is retiring.

Asashoryu has repeatedly gotten into trouble, upsetting officials of the Japan Sumo Association, the sport's governing body known for its strict adherence to hierarchy and traditional rituals. In 2007, he was suspended from participating in two tournaments after it was discovered that while on a break from sumo he took after citing injuries, he played in a football match in Mongolia. In another case, he was admonished for grabbing the top knot of his opponent during a match.

The association had been investigating Asashoryu's alleged brawl in the days leading to Thursday's retirement announcement.

Asked to discuss his best memory as a sumo wrestler, Asashoryu told the news conference that it was beating yokozuna Musashimaru, his archrival, while his parents watched at ringside during their visit from Mongolia. "I was so proud of myself," he said, wiping tears off with his fingers.

Asashoryu said he doesn't have specific plans for what to do in retirement but added: "To be perfectly honest, I'd like to take a break for a little while."

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Ozawa avoids charges in fund probe

Japan ruling party's top strategist will remain in position ahead of key election in July; three aides are indicted

By Yuka Hayashi

TOKYO—Ichiro Ozawa, a powerful top official in Japan's ruling party, eluded criminal charges by prosecutors investigating his fund-raising activities, ending one chapter of a political drama that has eroded the popularity of Japan's new government and raised questions about its staying power.

After weeks of intense investigation into Mr. Ozawa's fund-raising organization, prosecutors Thursday said they decided not to press charges against the secretary-general of the Democratic Party of Japan, citing "unsubstantiated suspicion." The decision will likely allow Mr. Ozawa, known for his expertise in winning elections, to stay in his job to lead preparations for a national vote in July, a key event for the center-left DPJ to solidify its grip on power.

While the prosecutors' decision allows the DPJ to avoid the immediate threat of losing its top strategist, the drama isn't expected to end soon. The scandal has hurt the popularity of the five-month-old administration of Prime Minister Yukio Hatoyama—recent polls show the public is increasingly critical of Mr. Ozawa's fund management, which is dragging down the administration's public-support ratings.

The scandal has dominated news coverage and deliberations at parliament over the past few weeks, just as the DPJ was beginning to escalate debate on important policy issues such as economic recovery. The DPJ needs to win July's upper-house election to avoid political paralysis as the country tries to keep its weak economic recovery on track without further increasing its budget deficit.

The opposition party, the Liberal Democratic Party, has vowed to keep up its criticism of the DPJ, even suggesting it might stall parliamentary debate on the budget.

Prosecutors did indict three of Mr. Ozawa's close associates, who had been arrested last month. They are accused of violating the nation's political-funds law by falsifying financial documents related to the purchase of a Tokyo property in 2004.

Among the indicted were Tomohiro Ishikawa, a 36-year-old lower-house member and former caretaker of Mr. Ozawa's fund organization, and Takanori Okubo, Mr. Ozawa's chief aide. Mr. Ishikawa now faces pressure from both inside and outside of Mr. Hatoyama's government to step down as a lawmaker. Representatives for Messrs. Ishikawa and Okubo weren't available to comment.

At a news conference following the prosecutors' announcement, Mr. Ozawa apologized about the developments but said he would continue with his job. "I would like to win the understanding of Japanese citizens by working as a member of parliament to stabilize their lives by passing the national budget, and would like to fulfill my responsibility of aiming for a majority" in the upcoming elections, he said.

Kyodo via Associated Press

Ichiro Ozawa, leaving his house in Tokyo Thursday, will remain in his post.

According to a poll conducted by the Nihon Keizai Shimbun business daily last week, the ratio of respondents who approved Mr. Hatoyama's cabinet was just 45%, sinking below the ratio of those who disapproved, at 47%, for the first time.

Worried that the scandal would hurt the party even more ahead of the July elections, some in his own party have expressed dissatisfaction with Mr. Ozawa's handling of the scandal and even called for his resignation, echoing calls from the opposition party.

"We can't say everything is OK as long as he didn't break the law," Kozo Watanabe, a senior DPJ lawmaker, said earlier this week. "After all, he is a leader of the people."

Others, like Mr. Hatoyama, rallied behind Mr. Ozawa, whose skills are seen as essential for the DPJ to defend and increase its seats in parliament. "At this point, I would like to see Mr. Ozawa continue with his job as secretary-general," Prime Minister Hatoyama said Thursday.

Since the arrest of his aides in mid-January, the 67-year-old Mr. Ozawa had denied involvement in any illegal activity and promised a "showdown" with prosecutors. Mr. Ozawa, with a reputation as a behind-the-scenes power broker, is a protégé of two powerful postwar political leaders—Kakuei Tanaka and Shin Kanemaru, both of whom had brushes with prosecutors.

—Takeshi Takeuchi contributed to this article.

In China, court corruption goes on trial

By Sky Canaves

BEIJING—This week's trial of the former judicial chief of Chongqing, part of the massive crackdown on organized crime in one of China's biggest cities, exposes the challenges the central government faces in its push to reform a corruption-plagued legal system.

Wen Qiang, the 55-year-old former head of Chongqing's justice department and deputy police chief, stands accused of taking millions of dollars worth of bribes over the course of his career in exchange for providing a protective umbrella over the city's gangsters, including his sister-in-law, who has already been sentenced to 18 years in prison for running illegal casinos. Mr. Wen, the highest-ranking official to be snared in the Chongqing crackdown, has also been charged with raping a university student and luring young women into prostitution.

The problem of judicial corruption threatens to undermine public confidence in the legal system just as China pushes to further develop the rule of law. Foreign companies often avoid the country's court system altogether in favor of arbitration, often conducted outside China.

In court Wednesday, Mr. Wen admitted to receiving money but said it was offered as gifts and not in return for favors.

Several other top judges have been arrested on graft charges in the Chongqing campaign, and allegations of judicial corruption reach all the way to the top of China's legal system. Last month, Huang Songyou, formerly vice president of the country's highest court, the Supreme People's Court, received a life sentence for bribery and embezzlement. He is the most senior judge here convicted on corruption charges.

Associated Press

Wen Qiang, in glasses, with his wife and ex-police officials, is on trial this week in Chongqing for allegedly shielding gangs.

Mr. Huang was charged with taking bribes and diverting money from a local court in southern China that he previously headed, and lawyers were said to be among those who gave Mr. Huang illegal payments in exchange for favorable outcomes in court, including one firm that allegedly paid 3.9 million yuan (about $570,000) in bribes from 2005 to 2008.

Beijing has embarked on a campaign to tackle corruption in the courts, identified as a top priority for China's judiciary.

"We have to fully understand that the corruption uncovered in some courts and places is not simply isolated phenomena," Wang Shengjun, chief justice of the Supreme People's Court, said at a conference in May. "The battle against corruption will be arduous, complicated and long term."

In the wake of Mr. Huang's conviction, the high court last week issued a new set of restrictions on the activities of judicial civil servants. The list of prohibited acts hints at some of the problems facing Chinese courts: Bribery is banned, as is having sex with litigants, physically or verbally abusing petitioners and forcing parties to withdraw lawsuits.

Last year, the court set up a hotline for the public to report cases of judicial malfeasance, and nearly 25,000 "corruption supervisors" have been installed in courts around the country, including 14 full-time supervisors placed within the Supreme People's Court to oversee its judges and staff.

Yet prosecutions are relatively rare. In 2008, the last year for which official figures are available, 712 judicial officers were investigated and punished, including 105 who were criminally prosecuted. There are around 200,000 judges in China and a similar number of court employees, according to the state-run Xinhua news agency.

"Despite the few well-publicized incidents, the probability of getting punished is so low that any rational judge would demand bribes and kickbacks," says Ethan Michelson, associate professor of sociology and law at Indiana University. Mr. Michelson, who has conducted surveys of Chinese lawyers and litigants in 2000 and 2009, says perceptions of judicial corruption have largely worsened over the past decade.

Pu Yongjian, a professor at the School of Economics and Business Administration of Chongqing University, says the level of corruption acts as a deterrent to the use of the courts to settle grievances. "Ordinary people are unwilling to file lawsuits," says Mr. Pu.

Oft-cited factors behind corruption include low pay among judicial staff and a lack of professionalism and experience among judges. Most judges come to the bench straight out of college, without any prior legal experience. Although salary reforms have been on Beijing's agenda for years, little progress has been made, in part because local governments are responsible for the administration and budgets of their courts, says Mr. Michelson.

Complicating the matter, Chinese courts are still controlled by the Communist Party, and their ability to make independent decisions is limited, particularly in major or sensitive cases.

That issue has cropped up repeatedly in the Chongqing trials, where the ambitious local party chief, Bo Xilai, has been subject to unusual scrutiny for the aggressive crackdown he has spearheaded. Though Mr. Bo has gained praise from residents for his mafia cleanup, defense lawyers have been critical. They claim that, in the zeal to root out gangsters, police and prosecutors have let political concerns trump the letter of the law.

—Sue Feng contributed to this article.

WORLD NEWS

U.S., Pakistan puzzle over militant's fate

Uncertainty about whether Taliban leader Mehsud is dead points to allies' intelligence deficit in tribal regions

By Matthew Rosenberg

It has been more than a week since Pakistani and U.S. officials began investigating rumors that the leader of the Pakistan Taliban had succumbed to wounds from a missile strike by an American drone aircraft.

First, Hakimullah Mehsud was probably dead, they said. Then he was likely alive. Now, he is either dead or alive. It depends on whom you ask.

That the back-and-forth has gone on so long and so inconclusively illustrates a major problem facing the U.S. and its allies in Pakistan and Afghanistan: More than eight years since the Sept. 11, 2001, attacks, knowledge of the inner workings of the Taliban and al Qaeda's leadership remains spotty, and quickly finding out about new developments is often difficult, say Pakistani and U.S. officials and experts.

The difficulty in reading the militant leadership affects everything from figuring out where al Qaeda might be planning to strike next to determining how close the Taliban's leadership is to Osama bin Laden and whether the militants are ready for peace talks.

Mr. Meshud has been reported dead once before, last year, only to turn up alive and begin launching brazen attacks on Pakistan's cities. His forces are now battling Pakistani soldiers in the country's northwestern mountains; in Afghanistan, he aided last month's al Qaeda suicide bombing that killed seven Central Intelligence Agency employees. His death would mark a major victory in the fight against the Taliban and al Qaeda, with whom he is closely linked, say U.S and Pakistani officials.

"We won't know for certain until the Taliban wants us to know," said Rustam Shah Mohmand, a former Pakistani official who spent much of his career in the tribal areas where Mr. Mehsud operated and may have perished.

The tribal areas of Pakistan—the home base for much of the Taliban's and al Qaeda's senior leadership—remain in some ways an intelligence black hole. U.S. drones patrol the skies above, tracking potential targets and firing missiles at them. But the flow of intelligence from informers on the ground is uneven, at best, and that affects how much can be learned about what the militants are actually up to, current and former Pakistani officials say.

The difficulty in reading the militant leadership affects everything from figuring out al Qaeda's attack plans to determining if the Taliban are ready for peace talks.

"In the tribal areas news spreads very fast, exceedingly fast. It used to be impossible to conceal any news, particularly news of this magnitude," Mr. Mohmand said. "When people in authority, the people in the security forces and intelligence apparatus, do not know what is happening in the tribal areas, it means there is an institutional vacuum in the tribal areas."

There have been some intelligence-driven successes. The U.S. drone strikes in Pakistan's tribal areas have decimated the second and third tiers of al Qaeda's leadership and killed a number of top Taliban commanders, including Mr. Mehsud's predecessor in August. On that occasion, there were three days of speculation before the Taliban confirmed their leader's death; Mr. Mehsud was named the successor in the following weeks.

The drone campaign is made possible in part by on-the-ground informants, and is considered a major accomplishment of cooperation between the Central Intelligence Agency and Pakistan's Inter-Services Intelligence spy service.

Communication intercepts on both sides of the border have also helped avert attacks in the region and in the West, U.S. and Pakistani officials say.

But the intercepts and "drones can't give us all the proof we need to say someone is dead," said a senior Pakistani intelligence official. "There are a lot of attacks we haven't been able to stop."

The confusion is compounded by Pakistan's growing deficit in human intelligence. The ISI takes the lead in spying in the tribal areas, yet it has lost about three dozen agents and informants in the region since the start of 2009, the Pakistani official said.

Most were killed as suspected spies by the militants, which points to one unintended consequence of the drone campaign: It has made the Taliban and al Qaeda more suspicious, and thus harder to infiltrate.

"Our sources are scared...and the flow of information is at its lowest ebb," said another Pakistani intelligence official, who is based near the tribal areas. "How can one be able to collect information in those given circumstances?"

Across the border, U.S. officials face intelligence problems because of a limited knowledge of Afghanistan's complex tribal, cultural and economic dynamics. Top commanders say the deficit is undermining the war effort, and last month the military's intelligence chief ordered a major overhaul of how intelligence is collected.

In a publicly released report detailing the order, Maj. Gen. Michael Flynn said the U.S. intelligence community was "ignorant" about key aspects of Afghan society. To rectify that, he ordered the creation of intelligence-gathering teams that will focus on individual regions of the country, rather than on single issues, such as narcotics.

The latest reports on Mr. Mehsud's fate were as contradictory as the initial rumors, which appear to have come from one or two tribesmen who claimed to have attended his funeral on Jan. 26 or 27.

A Pakistani military official said Thursday he believed Mr. Mehsud was still alive. But there have been repeated reports since the weekend that American officials were increasingly certain Mr. Mehsud had died.

In between those reports from Washington, a senior U.S. intelligence official told The Wall Street Journal on Tuesday that it still wasn't clear if Mr. Mehsud was dead. The official didn't know on what basis other American officials were voicing their certainty of Mr. Mehsud's fate.

As of Thursday, U.S. and Pakistani officials said they were still investigating the reports. A U.S. counterterrorism official said Thursday, "As more and more time passes without this major terrorist...making any kind of appearance, the rumors of his demise become more deeply seated. That's apparently prompted some to speculate he's gone."

Further confusing matters, officials now differ on which drone strike may have led to Mr. Mehsud's death: First, it was believed to have been a Jan. 14 attack, but Pakistan's military spokesman said Wednesday it may have been a strike two days later.

Mr. Mehsud released an audiotape on Jan. 16 saying he was alive. A Taliban spokesman said Tuesday the militants didn't see a reason to release more proof, fueling speculation of his death.

This isn't the first time Mr. Mehsud has been reported killed. For nearly two months after he assumed leadership of the Pakistan Taliban in August, U.S. and Pakistani officials insisted that he had been killed in a bloody internecine power struggle.

Then Mr. Mehsud appeared for a news conference.

—Siobhan Gorman contributed to this article.

Associated Press

Pakistani Taliban chief Hakimullah Mehsud appeared at a news conference in October. The Taliban said this week they don't need to prove he is still alive.

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ObamaCare's Excuses

"All that's changed in the last two weeks," President Obama told Senate Democrats Wednesday, "is that our party has gone from having the largest Senate majority in a generation to the second largest Senate majority in a generation." This was only the latest salvo in the White House campaign to resuscitate ObamaCare, and distinctly not a concession to the post-Massachusetts political reality.

> The White House is still working privately to 'punch it through.'

In their seven stages of national health-care grief, Democrats are still hovering somewhere between shock and denial. The strategy seems to be to hold off for a bit and then continue the same march—or as Mr. Obama put it in Nashua, New Hampshire earlier this week, "We've got to punch it through."

The White House and Congressional leadership doesn't seem to have learned anything substantive from an historic electoral rebuke, and even its political lessons are badly amiss. If they thought ObamaCare was controversial before, they haven't seen anything yet.

The main liberal coping mechanism is to blame the grubby political process. Sure, 54% of the public may oppose ObamaCare, according to the latest polling average at Real Clear Politics, with only 37% in favor. But what Democrats claim really cost them was buying Ben Nelson's vote with special Medicaid dispensations for Nebraska.

"There's some stray cats and dogs that got in there," Mr. Obama said at the House GOP retreat, while in his State of the Union he faulted "all of the lobbying and horse trading." Strays? These were all White House pets.

The President did not evince any qualms about "the process" when the Democratic National Committee gave Mr. Nelson $459,760 to run TV ads defending himself, nor when Mr. Obama himself presided over West Wing negotiations that resulted in $60 billion in tax breaks exclusively for union members.

It's true that voters revolted over such corruption and bribery—but it's also true that these methods were the only way Democrats could move the bill given that voters had so roundly rejected ObamaCare's core policies. The last time a majority of the public supported the plan was in July, and approval has continued to fall.

All the mea culpas might have at least a shred of credibility if Democrats acknowledged this principled opposition. Instead, Mr. Obama flogs himself for not "explaining it more clearly." He said in Nashua, "We just have to make sure that we move methodically and that the American people understand exactly what's in the bill."

Barack Obama

In other words, they'll come around on the basis of an Al Gore-style slide show or another homily from the ubiquitous President who has been explaining his plan to all and sundry for nearly a year. Mr. Obama's real problem is that the American people *already* understand what's in the bill, and all too well.

Or at least they understand how destructive it would be if Congress imposed a new edifice of taxes, subsidies, mandates and central planning that is so complex the Members themselves don't begin to understand it. Poll after poll has found that voters believe their insurance premiums will rise, that their quality of care will decline, that their taxes will rise as entitlement spending runs off the rails, and that government annexing one-seventh of the economy is far from a political priority. They're right on all counts.

Still, let's give Mr. Obama the benefit of the doubt and assume he believes that voters haven't *yet* understood the merits, not that they're incapable of understanding them. If that's the case, presumably he'll tell Congress to wait until ObamaCare's poll numbers move north.

We doubt he'll be that solicitous of public opinion. While Mr. Obama hasn't taken a public position on the political way forward, we hear the White House is privately urging Nancy Pelosi and Harry Reid to "punch it through" with the budget reconciliation process. The House would pass the Senate's Christmas Eve bill, then "fix" it with amendments that would require a bare partisan majority of 50 Senators (plus the Vice President) after only 20 hours of debate. Never before has this process been used for social and economic legislation of this magnitude.

Under budget rules, the reconciliation option expires in April. This fight is far from over—as the litany of far-fetched ObamaCare excuses suggests.

Talking About Tibet

Negotiating with Beijing over Tibet is a little bit like negotiating with Kim Jong Il over his nuclear stockpile: With no common starting points or common goals, there's not much to talk about.

It's not surprising then that last week's meetings between envoys of the Dalai Lama and representatives from Beijing ended in stalemate. The Chinese side declared there was no chance of the "slightest compromise" on issues of Tibetan autonomy, while the Tibetan side elaborated on the same memorandum that they had presented in 2008 and that had been rejected by Chinese counterparts at that time.

This dithering around the edges serves only the party that has time on its side—China. With the Dalai Lama approaching 75, time does not favor the Tibetans. Key among the demands presented by the Dalai Lama's envoys last week were some of the basic freedoms already guaranteed by the Chinese constitution: religious freedom, respect for ethnic traditions, preservation of the Tibetan language and a basic level of self-governance.

> A lesson for President Obama before he meets the Dalai Lama.

But Beijing's policies toward Tibet are not open to debate, which is why "talks" like these should never be confused with a real dialogue that seeks common ground. That's too bad, because it would be in Beijing's interest to work with the Dalai Lama, who unlike many Tibetans does not advocate Tibetan independence.

Instead China's leaders seem set on continuing the policies that led to the riots in Lhasa in March 2008. In January a new initiative to pump $60 billion into economic development in Tibetan areas was announced—another way to strengthen China's hand in the region. Han Chinese immigration and discrimination against ethnic Tibetans—two key Tibetan concerns—remain unaddressed.

Beijing's approach to Tibet is so calcified because Chinese leaders know the resentment that still boils across Tibetan lands. China's leaders are afraid to change course lest it boil over. But that's exactly why international support for Tibet is important—not just for Tibet, but for all those who seek a more democratic China.

In a few weeks President Obama is expected to meet with the Dalai Lama—a meeting he avoided last October when the Tibetan leader visited Washington. Beijing has warned that the meeting will harm ties between China and the U.S. But that's true only as long as China refuses to listen to what the Dalai Lama has to say.

Europe's Bush Nostalgia

Chalk up another diplomatic snub to Europe. The Administration has told the European Union that President Obama won't attend the regular U.S.-EU confab this May in Madrid—through a leak to this newspaper on Monday. Spain's Prime Minister José Luis Rodríguez Zapatero, whose country holds the bloc's rotating presidency, was said to be surprised, embarrassed and incensed by the slight.

Which makes us wonder: Can't Europe take a hint?

One of Mr. Obama's first, er, diplomatic acts was to return the bust of Winston Churchill in the White House to British Prime Minister Gordon Brown. Later, he pulled the plug on missile defense sites in the Czech Republic and Poland without trying to inform their national leaders until late in the night. No President in recent memory has cared less for America's alliance with Europe.

> Who needs summits with the Old Continent?

Regarding the EU meeting, we sympathize with the President. Having attended two such gatherings in his first year, he may have had his fill of empty summitry—all pomp, little circumstance. The ciphers appointed to the new posts of EU president and foreign minister aren't exactly a draw. An American leader has better things to do, though someone at the White House or State Department might have done better than a newspaper leak to announce the snub.

The downgrading of Europe reflects a rational calculation. From Washington's point of view, the world's rising powers are Brazil, China, India and others in the Asia-Pacific region. The "special relationship" with Britain and close ties with the Central European allies remain critical to U.S. security, but those can be nurtured apart from the EU.

This has all been painfully sobering for Continentals who hailed the Obama ascendancy. Their infatuation with him was always in part a case of projection. Europe thought it had the first modern President eager to make the Old World an equal partner in running the planet.

Europe may soon realize that George W. Bush could well be the last trans-Atlantic President eager to cultivate friendships with European leaders, prioritize the free Continent over others, and even attend all the summits the Europeans threw his way. You can't say history lacks a sense of irony.

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OPINION

Will America Defend Its Asian Allies?

By Andrew Shearer

Secretary of State Hillary Clinton used a visit to Hawaii last month to proclaim that, under the Obama administration, the United States is back in Asia to stay. Yet the fine details of the Pentagon's 2010 Quadrennial Defense Review, released this week, may not convince Asian partners that America will retain both the resolve and the capacity to maintain a decisive military edge in the region.

Superficially, there is much in the report that's reassuring. It reinforces the importance of alliances. It commits the U.S. to maintaining a forward military presence in Asia and a strong extended nuclear deterrent, while paying lipservice to the pipedream of a nuclear-free world. It focuses on rising threats in domains such as the oceans, space and cyberspace where—at least until recently—the U.S. has become used to uncontested dominance.

On specific countries, too, the QDR looks solid. Its treatment of China is measured and realistic. It recognizes the growing strategic importance of the Indian Ocean and that India's democratic values and growing military power make it an increasingly valuable strategic partner; likewise with Indonesia. And it is hard to argue against the proposition that the U.S. needs to prevail in the wars it is in: U.S. defeat in Afghanistan or Iraq would send shockwaves through Asia and beyond.

However, the devil is in the details. Commitments to maintain dominant U.S. power-projection capabilities, including new long-range strike and intelligence systems, and to make key facilities less vulnerable to attack are welcome—but there are few details about how this will be done. Welcome, too, is the focus on defeating new weapons that aim to restrict U.S. freedom of action—under development not only by Iran and North Korea but on a much more ambitious scale by Beijing. The report also highlights the importance of missile defense. Yet this does not really jibe with the Obama administration's $1.4 billion cuts to U.S. missile-defense programs. It is difficult to see how all these capabilities will be funded given the other pressing demands on the defense budget.

There are also question marks surrounding how the U.S. is transforming its fighting forces. It makes sense to provide additional helicopters and other resources for U.S. ground forces still battling in Afghanistan and Iraq, and that the U.S. military should be prepared for a broader range of contingencies. Yet there is a risk that downplaying the traditional goal of being able to defeat two major conventional opponents simultaneously in favor of a force optimized for prevailing now in irregular warfare will see America fall short against sophisticated conventional opponents in the future. Asian allies want the U.S. to win the next war too, particularly if it is in their neighborhood.

Then there's the nuclear issue. Recognition in the report that nuclear deterrence will remain a core mission is reassuring, but it will lack credibility should the forthcoming Nuclear Posture Review err by moving to an unequivocal no-first-use doctrine, cutting the U.S. nuclear arsenal below 1,000 warheads or balking from replacing ageing U.S. warheads with a new, safe and reliable design.

David G. Klein

America's Asian partners worry too about the rhetoric coming out of the White House, and how that matches up with the promises in the QDR. In its first year the administration leaned too far in the direction of appeasing China, softpedaling on human rights and other difficult issues in the hope of securing Beijing's cooperation on global warming and sanctions against Iran. The scales may be dropping from some eyes following Beijing's truculent behavior in Copenhagen and its splenetic reactions to the modest Taiwan arms package and Mr. Obama's deferred intention to meet with the Dalai Lama. But the signals are mixed.

It is hard to square the report's legitimate concern about the "lack of transparency and the nature of China's military development and decision-making processes" with reports that the administration has downgraded China as a U.S. intelligence priority. Any rolling back of U.S. surveillance operations around China's maritime periphery in response to Beijing's bluster should also be of concern to U.S. allies.

An even bigger question, though, is whether the U.S. will be able to afford the force outlined in the report: one capable of conducting stabilization operations when necessary and continuing to keep the peace in Asia into the future. Asian governments are nervous that this time around America's decline is real, and they are hedging in response. Both Australia and South Korea are building up their naval forces, for instance. It is no bad thing for U.S. allies to contribute more to international security, but a fundamental loss of confidence in the durability of American military dominance in Asia would be profoundly destabilizing.

The report will only reassure U.S. allies if they are convinced Washington will deliver on the capabilities it promises and can project power, deter aggression and come to their aid. With little evident appetite in the White House or Congress to rein in rampant domestic spending, pressures on the defense budget will only increase. Asian governments will have little option but to divert resources to acquire more sophisticated weapons. That's not good news for anyone, including America.

Mr. Shearer is director of studies and a senior research fellow at Australia's Lowy Institute for International Policy.

Taking Stock of Hong Kong

By J.C. de Swaan

The controversial recent listing of Moscow-based Rusal, the world's largest aluminum company, will do little to burnish Hong Kong's image as an emerging global financial hub. The territory's regulators are widely perceived to have lowered their own bar by approving the offering despite the company not meeting the Hong Kong Stock Exchange's "profit test"—a requirement that newly listed companies be profitable and have a certain market capitalization. And Rusal's weak trading, down about 10% from its listing price, may discourage the handful of other Russian companies considering near-term IPOs from picking Hong Kong over London, their natural home.

Yet Hong Kong's rise as a global financial hub is gathering steam. With liquidity inexorably moving East and access to Shanghai structurally constrained, Hong Kong is gradually emerging as a viable alternative to New York and London, particularly for large companies in emerging markets.

Hong Kong, in tandem with Chinese exchanges in Shanghai and Shenzhen, raised a combined $52 billion in IPO proceeds in 2009, with Hong Kong leading the pack, according to consultancy Dealogic. That compares to $27 billion raised at NYSE and Nasdaq, and $2 billion by London. This lead is even greater than the one achieved in 2007. A slew of major IPOs are in the pipeline, potentially including American International Assurance (AIA) and Agricultural Bank of China, each of which could raise at least $20 billion.

While much of the talk has turned to the potential rivalry between Hong Kong and Shanghai, the two markets are complementary. Hong Kong is open to global investors; Shanghai is a market driven by domestic retail investors, largely closed off to foreign investors. In a sign of the times, leading Chinese companies are now more likely to perceive a dual Hong Kong-Shanghai listing as the most desirable IPO option, rather than Hong Kong–New York.

Hong Kong's status as the gateway for foreign capital to Chinese companies is unlikely to change anytime soon. Shanghai appears to be finally ready to allow foreign listings, and HSBC may pave the way to become the first foreign listing in the second half of this year. But only a handful of large global companies are likely to be invited over time. The recent approval of index futures contracts, margin trading and short selling signals the financial regulator's resolve to modernize China's domestic markets. But ultimately Shanghai won't become a true global financial hub without making the Chinese yuan convertible and relaxing capital controls—developments that may be years away.

Shanghai is nowhere close to unseating the territory as a financial hub for China —and beyond.

Hong Kong's momentum will also benefit from New York and London's own shortcomings. The 2002 Sarbanes-Oxley Act did much to improve American corporate governance in Enron's wake. But the law also has made it significantly more burdensome and costly to list in New York. While London has been the main beneficiary of this during the past several years, its own reputation has been tarnished by the poor quality of many listings on its smaller Alternative Investment Market. AIM was supposed to offer companies greater regulatory flexibility than the main exchange. But some have abused the privilege. Sibir Energy, a Russian oil company that was at one point AIM's largest listing by market capitalization, had to de-list in August after its failure to fully disclose the major shareholder's debt.

All that said, the strength of Hong Kong's IPO market could be transient to the extent that it simply reflects the fact that many of China's leading companies are still queuing up to come to market. This process took place decades ago in the United States and Western Europe. The true litmus test will be whether Hong Kong can systematically attract foreign listings going forward.

That international pipeline should start opening up—first with Singapore-listed companies seeking a dual listing, followed by Russian and other emerging-market companies. Rising liquidity and rich valuations are attracting many Singapore-listed companies to Hong Kong. Want Want, the dominant rice-cracker producer in China, relisted in 2008, followed by XLX Fertiliser's dual listing last December. XLX Fertiliser's Hong Kong-listed shares now trade at price-to-earnings ratio of 10.5 (based on expected 2010 earnings) versus 9.5 for its Singapore-listed shares.

Others are likely to follow, starting with environmental company Epure International and steel company Novo Group. Hong Kong also benefits from its proven ability to successfully handle "mega IPOs"—Industrial and Commercial Bank of China, listed in late 2006, remains the largest global IPO to date after raising $19 billion.

But Hong Kong still needs to demonstrate that its regulations are world-class. The Rusal episode won't help on this count. Hong Kong's lower disclosure requirements may backfire. Already its reputation is at risk from episodic corporate governance blow-ups in the mold of Moulin Global Eyecare and EganaGoldpfeil, both of which had high profile accounting irregularities which led to liquidation, and from lax insider trading rules.

Still, even if Russian and other emerging-market companies are put off in the near term by Rusal's chaotic experience and weak trading debut, they should eventually turn to Hong Kong for its liquidity and momentum as a churner of large IPOs.

Mr. de Swaan is a lecturer in the economics department of Princeton University.

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IN DEPTH

Getty Images

North Dakota Sen. Kent Conrad, Democratic chairman of the U.S. Senate Budget Committee, speaks last March during a hearing on President Barack Obama's budget proposals.

Even deficit-hawk senators like to bring home the bacon

Kent Conrad's career shows how hard it is to trim spending, even for those committed to beating down the gap

By Neil King Jr.
Washington

Kent Conrad vaulted from North Dakota tax commissioner to the U.S. Senate in 1986 on the strength of a startling pledge: He would quit and go home if the federal deficit wasn't "brought under control" during his first six-year term.

The deficit that year hit a record $221 billion. Six years later it topped $290 billion. This year, it's expected to hit $1.6 trillion.

Mr. Conrad, now the Democratic chairman of the Senate Budget Committee, did resign in 1992, but he stayed on after the state's other senator died. Since then, he has become one of the Senate's most vociferous deficit hawks, warning that the nation faces insolvency if it doesn't boost revenues and trim obligations.

Like many in Congress, he is conflicted. He boasts a 23-year record of looking after North Dakota voters with ample farm subsidies, aid for drought-hit ranchers, defense spending and scores of pet projects. He has done little to help rein in Medicare and Social Security expenses—the U.S.'s biggest budget busters.

Congress is wrestling, yet again, with a widening gap between how much the government earns and spends. Only two-thirds of President Barack Obama's $3.8 trillion 2011 budget request, which goes this week before Mr. Conrad's committee, is paid for by taxes. The rest will go on the national credit card.

Mr. Conrad's career shows how hard it is to trim spending, even for those committed to beating down the deficit. Lawmakers from both parties routinely scramble to protect or increase funding for home-state projects. Not since 1965 has Congress approved a budget smaller than the prior year's.

Together with Republican Sen. Judd Gregg of New Hampshire, Mr. Conrad pushed for more than a year to create a bipartisan commission to tackle the deficit—an acknowledgment that Congress, left to its own devices, isn't up to the job. The commission proposal was defeated in the Senate last week as reluctant Democrats rejected calls for trimming Social Security, and Republicans opposed potential tax hikes. Mr. Obama has said he will form a commission by presidential order.

The problem, Mr. Conrad says, is that "everyone in Washington wants to be for every tax cut and every spending increase."

Know thyself, say the senator's colleagues. "Conrad says one thing, and then votes hundreds of times the other way—to spend money," says Republican Sen. Tom Coburn of Oklahoma, one of the Senate's strictest spending hawks and among only six senators who sought no funding for home-state projects through the "earmark" process last year.

David Walker, former head of the Government Accountability Office who now runs a private campaign to tame the debt, puts it differently: "Kent fights over what the size of the pie should be while also fighting to get as large a slice of that pie as he can for his state."

Sitting in his Senate office with his *bichon frisé* Dakota curled in his lap, Mr. Conrad acknowledges his "obligation to represent the people who sent me here. But I try to do it within the context of an overall plan that is fiscally responsible."

Most economists agree that the country's public-debt burden—now at $7.75 trillion and growing—poses a threat to economic security. Interest payments devour nearly one-tenth of federal revenues and are projected to more than triple over the next 10 years. Spending on Social Security, Medicare and Medicaid consumes an additional 57%. The administration projects that those entitlement programs, as they are known, plus interest on the debt, will absorb 80% of all federal revenues by 2020.

Mr. Conrad has long pushed to curb deficit spending. As a freshman senator, he had a hand in a bruising 1990 budget deal that raised taxes and restrained spending. In 1993 and 1997, he backed legislation that trimmed Medicare and required Congress to pay for all spending hikes or tax cuts.

Those steps helped pave the way for surpluses beginning in 1998. With increased taxes, a booming economy and strict spending restraints, Congress racked up surpluses until 2001, the longest such stretch since the 1920s.

"Those balanced budgets got us to stop borrowing from the Social Security trust fund," Mr. Conrad says. "That was our high-water mark, if you will."

While advocating fiscal responsibility at the national level, the senator has ministered adroitly to one of the most government-dependent states in the country: a vast swath of parched prairie that is home to needy military air bases, Indian reservations, an aging population of 639,000 and thousands of farmers who, over the last decade, have collectively gobbled up an average of $715 million a year in crop subsidies and disaster payments.

"His heart is in the right place," says Doug Holtz-Eakin, a former head of the Congressional Budget Office who now advises Republican campaigns. "But when your party, your colleagues, and even your constituents are all pressuring you to give in to the dark side, it's tough to make real progress."

Mr. Conrad won a tight race in 1986 with promises to look after the state's embattled farmers. Fears that year that President Ronald Reagan would squeeze Social Security helped Democrats regain control of the Senate. Within weeks of taking office, Mr. Conrad stood up against a push to trim farm subsidies. "Farmers in my state are in deep trouble," he told a reporter at the time. "That's why I'm here."

He has been a defender of the state's grain farmers ever since. He voted last April against a proposal to cap federal payments to the nation's farmers at $250,000 per farmer per year, a measure that Mr. Conrad criticized as disastrous but that supporters said would have saved $1 billion a year.

He also helped draft a five-year, $300 billion farm bill in 2008 that boosted overall farm subsidies. The bill created a $3.8 billion emergency "trust fund" for farmers who lose crops or livestock to natural disasters, which was Mr. Conrad's idea. Since 2008, North Dakota ranchers have received $23 million under the fund, second only to Texas.

Mr. Conrad has been just as energetic about protecting defense programs in his state, including the B-52 bombers based at Minot Air Force Base in central North Dakota. The Pentagon in 2006 said it wanted to slash the bomber fleet from 94 to 56. Mr. Conrad and fellow Democratic North Dakota Sen. Byron Dorgan moved to prevent that, arguing that the B-52s were cheaper than alternative bombers and played a vital role in overseas operations.

The two senators managed to boost funding for North Dakota's bombers by $70 million. Last year, Mr. Conrad won another $172 million to assure that the Air Force maintained the overall number of active bombers at 76.

Mr. Conrad also has used legislative earmarks—provisions inserted into bills by lawmakers to fund local projects—to deliver federal money to North Dakota businesses, cities and schools. He secured $3 million last year to build a new terminal at the Grand Forks airport, and $13 million more for a fire station at a nearby air base. Dickinson State University got $600,000 to build a Theodore Roosevelt Center, while a Navy research project got $1.2 million to develop a "chafing protection system."

All told, the state's congressional delegation, led by Mr. Conrad, secured $137 million last year for projects in North Dakota—roughly $213 per inhabitant, according to Taxpayers for Common Sense, a nonpartisan watchdog group. Only Alaska and Mississippi got more per capita.

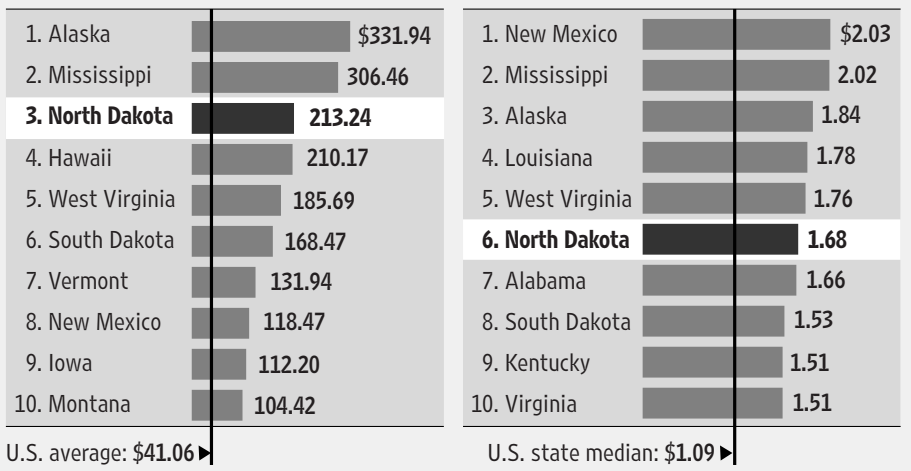
North Dakota received nearly $1.70 a year in federal spending for every dollar it paid in federal taxes in 2005—the sixth-highest ratio among the 50 states, according to the most recent analysis by Tax Foundation, a nonpartisan tax-research group.

Mr. Conrad says he recognizes the apparent contradiction between his hawkishness on the deficit and his determination to bring as much money as possible to his state. But his efforts for his state, he says, are tiny relative to the overall budget, and shouldn't undermine the bigger quest to tame deficit spending.

"Yes, the small things are important to my state," he says. "But I also recognize that the big things are what matter from a national perspective. What really matters is that we have an overall plan that is balanced."

Home-state focus

Sen. Kent Conrad, a vocal opponent of government deficit spending, has helped North Dakota win federal funding for state projects through 'earmarks.'



Note: Fiscal year ends Sept. 30.

Sources: Taxpayers for Common Sense (earmarks); Tax Foundation (federal spending)

Mr. Conrad's ascendancy to head of the Senate Budget Committee in 2001 corresponded with what he considers the bleakest period in recent fiscal history: the years that followed President George W. Bush's tax cuts of that year. Mr. Conrad became one of President Bush's loudest critics on the budget front, lashing into the administration for its tax cuts and its huge deficit spending. By 2003, the surpluses were gone and the country's indebtedness began to soar, with China, Japan and big oil exporters like Saudi Arabia soaking up more and more U.S. Treasury notes.

During some of those years, Mr. Conrad drafted budgets that exceeded in size those proposed by Mr. Bush. He also helped to usher huge farm and transportation bills through the Senate.

In 2003, Mr. Conrad joined most Democratic senators to support Mr. Bush's plan to provide Medicare prescription-drug coverage to seniors, at a cost of around $40 billion a year. The plan required Congress to scrap the spending controls Mr. Conrad once championed. Republicans won the votes of Mr. Conrad and other rural senators by agreeing to expand the program by pumping $25 billion more into rural hospitals and doctors over 10 years.

Messrs. Conrad and Dorgan inserted a similar clause in the recent Senate healthcare bill to increase Medicare reimbursement rates for any state in which half the counties had fewer than six people per square mile. Mr. Conrad told his constituents that the so-called frontier counties amendment would "boost payments to our state by more than $65 million a year."

Mr. Conrad helped negotiate the 2005 highway bill, which critics blasted as a bipartisan exercise in spending excess. The $286 billion bill contained 6,371 earmarks. Even before Mr. Bush signed it, Mr. Conrad told constituents that the bill would deliver $1.5 billion to North Dakota communities. "That equates to North Dakota receiving $2 for every $1 in gas tax collected in the state," Mr. Conrad said in a news release.

Such attentiveness has kept Mr. Conrad popular in an otherwise conservative state, where both the legislature and the governor's office are in Republican hands.

"The joke here is that we elect conservatives to state office because we don't want them to spend our money, and liberals to national office because we want them to spend other people's money," says Rob Port, a conservative commentator in North Dakota.

Mr. Gregg, the senior Republican on the Budget Committee, has repeatedly poked fun at his Democratic colleague on the Senate floor, accusing him in a 2008 speech of "aggravating the debt threat" by "spending so much money we do not have."

Off the floor, Mr. Gregg describes Mr. Conrad as a victim of the Senate itself. "You have to separate the operational need for a chairman to produce a budget from the fact that Conrad fully recognizes that some of the budgets he put together have complicated what we have to deal with" on the debt front, Mr. Gregg says. "You just have to do what you have to do."

Mr. Conrad responds: "I have never put together a budget I didn't believe was moving in the right direction."

One theme Mr. Conrad returns to repeatedly is the need to rewrite the country's tax code to expand the revenue base. He has spoken favorably of a national value-added tax. He has pushed to beef up tax collection, target individual tax shelters and go after companies that stash money abroad—steps he estimates could raise as much $325 billion a year. He estimates that individuals and companies in the U.S. pay only 76% of the taxes they owe. Some Republicans contend this line is a cover for simply raising taxes.

In an interview, Mr. Conrad declined to detail what he intends to propose to the presidential commission. Getting specific at the start, he says, "would immediately get all the interest groups activated, and they would kill it in the crib."

North Dakota National Guard

Sen. Kent Conrad, third from left, at a groundbreaking ceremony in 2008 at Camp Grafton Training Center in Devils Lake, North Dakota.

FROM PAGE ONE

Fears about euro deficits upend markets

Continued from first page

The ECB president, in an uncharacteristically feisty appearance at the bank's monthly news conference, emphasized that despite the fiscal woes in some member states, the average budget deficit for the euro zone as a whole, at 6% of gross domestic product, is well below the double-digit gaps in the U.S. and Japan.

"It is not necessarily very well-known the kind of solidity" that the euro zone has, Mr. Trichet said.

The problems in Greece and other euro-zone countries with large deficits have prompted some economists to question the long-term viability of Europe's common currency. Mr. Trichet, who in the past has called similar speculation "absurd," nonetheless sought to counter doubts about the euro by highlighting the advantages of membership.

Mr. Trichet also reiterated warnings to Greece and other large-deficit countries in Europe that they will get no leeway when it comes to meeting their ambitious deficit-reduction promises.

"We always have been inflexible in our support of the stability and growth pact," said Mr. Trichet, referring to the agreement that regulates euro-zone membership.

The stability and growth pact requires euro-zone members to keep budget deficits below 3% of their gross domestic product. However, a number of the region's once fast-growing economies in Southern Europe and Ireland are running double-digit deficits as a share of GDP. The most troubled country in the eyes of investors and rating agencies, Greece, has pledged to bring its deficit of almost 13% of GDP to less than 3% by just 2012.

"I haven't heard any other leaders be so strongly pro-European, calling on member states to stick to rules but more or less promoting the European idea," said Carsten Brzeski, economist at ING Bank in Brussels.

Reuters

Traders work at the Frankfurt stock exchange Thursday.

In doing so, Mr. Trichet "strengthened the ECB's position as the guardian of the euro and monetary union," Mr. Brzeski said.

The European Commission accepted Greece's fiscal plans Wednesday, but warned more spending cuts and tax increases may be needed.

"We expect and are confident that the Greek government will take all the decisions that permit to meet this goal," Mr. Trichet said. He called plans by Athens to freeze wages, increase energy taxes and reform its pension system "steps in the right direction."

The ECB's economic and inflation assessment was little changed from January, suggesting that interest rates will remain at current levels until year's end or even into 2011. The central bank left its key lending rate unchanged at 1%, as expected.

Inflation is expected to "remain moderate," Mr. Trichet said, and though the economy should continue on a moderate recovery path this year, it "could be uneven" as the stimulus from inventory replenishing and government support wears off.

The euro zone exited recession in the third quarter, though it expanded by just 1.5%, at an annualized rate. It is expected to have grown again in the fourth quarter—GDP figures are released next week. But the pace of expansion will be quite modest, economists warn, as the region's largest economy, Germany, appears to have stalled in the final three months of the year.

German manufacturing orders unexpectedly plunged 2.3% in December from November, the economics ministry said Thursday.

BOE is halting its program of bond buying

By Natasha Brereton

The Bank of England's Monetary Policy Committee Thursday voted against extending its bond-buying program and left its benchmark interest rate unchanged as the U.K. economy has resumed growing after its deepest recession in more than half a century.

Analysts had widely expected the Bank of England to vote for a pause in its £200 billion ($317.96 billion) quantitative-easing program. A poll by Dow Jones Newswires found that 17 of 19 economists surveyed forecast that the committee wouldn't extend the policy at the meeting, but they remained wary about the prospect of further easing.

It's far from certain that Thursday's decision marks an end to the stimulus effort, and the committee could reopen the program if the U.K.'s weak economic recovery is threatened by a lack of credit availability, the need for aggressive fiscal consolidation or a renewed pickup in unemployment threatens. "The committee will continue to monitor the appropriate scale of the asset-purchase program, and further purchases would be made should the outlook warrant them," the committee said in its statement.

It added that it expects existing purchases and low interest rates to provide "substantial" monetary stimulus for "some time to come." The BOE launched the program in March last year, in a dramatic attempt to prevent the fallout from the financial crisis leading the U.K. economy into a downward spiral of deflation and output declines. The central bank had already slashed its benchmark interest rate to 0.5% from 5% within a six-month period.

The bank said that while the weakness of sterling and a recovery in exports are likely to support activity, the need for the private and public sectors to clean up their finances is likely to weigh on demand. As such, output is likely to recover only gradually, it said.

"The recession has probably impaired the supply capacity of the economy, but the scale and persistence of the fall in output means that a substantial margin of underutilized resources is likely to remain for some time to come," the committee said. "That is likely to mean that inflation will fall below the target for a period."

Consumer-price inflation probably accelerated further in January after increasing to 2.9% in December, in response to the reversal of a sales-tax reduction, the committee added. The BOE targets annual inflation at 2%. The bank kept its benchmark interest rate at an all-time low of 0.5% for the 12th consecutive month, as analysts had unanimously expected. It also said it will continue to buy high-quality private-sector debt.

Existing arrangements allow the bank to buy as much as £50 billion of assets financed by treasury bills, rather than freshly created central-bank money, with the aim of improving liquidity in those markets.

England's football captain John Terry tests his limits

Continued from first page

coach of England's national team, Fabio Capello, will decide whether Mr. Terry remains as captain. Mr. Bridge has issued a statement saying he won't comment in the interest of protecting his son. Ms. Perroncel has made no comment.

The resulting public cloudburst has brought finger-wagging comment from a government minister over Mr. Terry's fitness to be captain if the allegations are true; taunts from British football fans; and coverage of how the central characters—Mr. Terry and his wife, Mr. Bridge and Ms. Perroncel—are trying to repair the damage.

Football players, long an object of British obsession, once enjoyed a protective bubble that minimized revelation of their bad-boy antics. But the game has been transformed in recent years by big TV money, free-spending owners and lavish salaries and endorsement deals.

At the same time, a lucrative side business has been created around players' wives and girlfriends, branded WAGs (as in Wives and Girlfriends), spawning popular TV shows, launching celebrity careers and breaking down the wall between players' public and private lives.

All that has turned English football into a big reality TV show. The current flare-up is even more intense because it comes in the run-up to the 2010 World Cup—a tournament England thinks it can win for the first time since 1966.

Getty Images

Vanessa Perroncel and Wayne Bridge in London, in 2008

England opens its Cup quest on June 12 with a high-profile match against the U.S. in South Africa.

One former member of the U.S. national team, Alexi Lalas, doesn't think the Terry scandal will matter: "You don't have to like your teammates; you have to be confident they can do their job on the field. If England's going to fail, it's not going to be because of this."

Football's transformation from national sport to national soap opera has cast a harsh light on the peccadilloes of Premier League players, says Tony Cottee, who played for the English national team from 1986 to 1989.

"There was a lot worse going on back then," he says, "but you didn't read about it because football wasn't as high-profile as it is now."

But, Mr. Cottee adds, "There was always an unwritten law that you didn't go near another player's wife or girlfriend, and you expected the same from them....In the world we live in now, these things are going to get out."

Whatever those "things" were, they tended to exist as legend passed along by diehard fans rather than TV and tabloid stories. British football fans have been known to loudly chant taunts about the sex lives of opposing players during matches.

Interest in the private lives of players has come to rival their exploits on the field. A catalyst was the 2002 debut of the British television hit "Footballers' Wives," a sex-and-football drama that highlighted the gaudy outfits and extravagant lifestyles of the modern Premier League players' women.

WAG culture jumped from fiction to real-life phenomenon during the 2006 World Cup tournament in Germany, as the shopping, partying and champagne-quaffing of the glamorous, fashion-obsessed partners of England's players seemed to generate as much attention as the action on the pitch.

A cottage industry now feeds the British fascination with the football lifestyle. A crucial role is played by people like Max Clifford, a London public-relations man who has developed a bustling business touting—and sometimes selling—the stories of WAGs. Mr. Clifford has had some sizzling football clients in the past, most notably Rebecca Loos, who claimed several years ago to have had an affair with superstar David Beckham—a liaison he denies.

Mr. Clifford is clear-eyed about his role. "Most people in this country would rather read about other people's sex lives than have sex themselves," he says. "I've broken more kiss-and-tells and scandals than anyone, and the majority had nothing to justify them. It was purely entertainment, stimulation, titillation—circulation most importantly. And we move on."

Mr. Clifford's latest client: Ms. Perroncel, the model at the heart of the Terry scandal. He is her spokesman. He says she has protested that she doesn't do interviews, and "I'm certainly not going to start now." But she has been offered cash for her story, and Mr. Clifford says she isn't yet sure how to proceed.

"She's anxious to get across that there are things in the papers that are wrong," he says.

—Dana Cimilluca contributed to this article.

As of 11 a.m. ET **Euro** 1.3781 ▼ 0.96% **Yen/US$** ¥90.35 ▼ 0.68% **Yen/A$** ¥78.75 ▼ 1.99% **Oil** 74.69 ▼ 2.97% **Gold** 1072.80 ▼ 3.47% **10-year Treasury** ▲ 18/32 yield 3.631% **3-month Libor** 0.24875

Tech spending bounces back as corporate profits rise
BUSINESS & FINANCE 17

Toyota's problems keep on accelerating
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BUSINESS & FINANCE.

Friday - Sunday, February 5 - 7, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Sony's cost cutting pays off

Giant posts profit and narrows loss forecast for year as it revamps games, electronics

By Daisuke Wakabayashi

TOKYO—After enduring several painful quarters of restructuring, **Sony** Corp. posted its first quarterly profit in a year and narrowed its full-year loss projections.

The company also reaffirmed that its cost-cutting measures should finally deliver profitability at its closely watched electronics and videogame divisions.

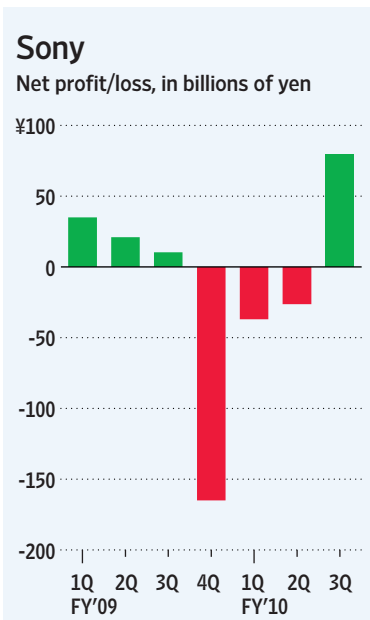
"We think we've bottomed out and we can do fairly well going forward," said Sony Chief Financial Officer Nobuyuki Oneda.

Restoring profitability at the electronics and videogames businesses, which account for about two-thirds of Sony's revenue, has been at the core of a restructuring implemented at the trough of last year's global economic downturn.

Sony has closed 20% of its plants, eliminated 20,000 jobs and overhauled its supply chain to reduce its costs by 330 billion yen ($3.63 billion).

The company said Thursday it expects strong future sales for a number of its products. Sony said it can expand liquid-crystal-display television sales by at least 33% to 20 million units in the next fiscal year while maintaining profitability. Its electronics division has been hampered by a TV business that has lost money for five straight years.

Sony said net profit in its fiscal third quarter ended Dec. 31 was 79.2 billion yen, compared with a 10.4 billion yen profit in the same period a year earlier. Revenue rose 3.9% to 2.24 trillion yen.



Note: Fiscal years end March 31 of years shown.
Sources: the company; European Pressphoto Agency (photo)

For the full year ending March 31, Sony narrowed its net loss forecast to 70 billion yen from a loss of 95 billion yen in its previous outlook. It kept its revenue forecast unchanged at 7.3 trillion yen.

There are signs of recovering demand across the electronics industry. South Korea's Samsung Electronics Co. and Japan's Sharp Corp. both announced a return to profit in the last three months of 2009.

Cost reductions and a somewhat weaker yen helped boost the performance of LCD televisions and digital cameras even though sales fell 10.7%. The unit reported an operating profit of 49.4 billion yen versus a loss of 19.8 billion yen a year earlier.

PlayStation 3 sales rose 44% in the quarter. Sales got a bump after Sony dropped the price by 25% to $299 in September for its model with an 80-gigabyte hard drive.

Sony slashed its sales forecast for the PlayStation Portable by a third to 10 million units for this fiscal year on slow sales of its new PSP Go model. It also cut its software forecast by 17% to 200 million units after the company delayed the release of its popular "Gran Turismo" car-racing game.

David Gibson, head of research at Macquarie Securities in Tokyo, said Sony is "getting closer" to a turnaround at the games business, although he worries about the cut in forecast for software sales.

—Ayai Tomisawa contributed to this article.

Malaysia names new chief for Petronas

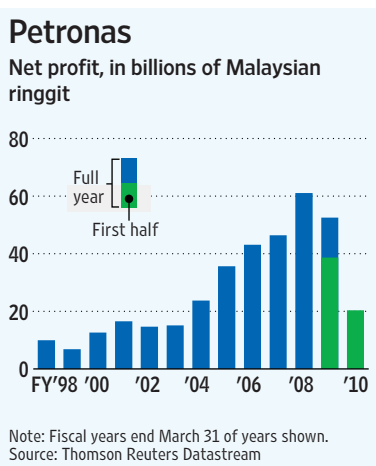
By Elffie Chew And Patrick Barta

KUALA LUMPUR—Malaysia's decision to replace the top executive of its giant national oil company has sparked concern among analysts, employees and opposition leaders that the government wants to assert more control over the company. The move, they fear, could threaten its standing as an emerging major international energy player.

In a statement late Wednesday, Malaysia Prime Minister Najib Razak said Shamsul Azhar Abbas, a little-known former executive at **Petroliam Nasional Bhd**, was appointed president and chief executive of the state-owned oil company, also known as Petronas.

He replaces Hassan Marican, an executive who guided Petronas's emergence as an increasingly serious force in global oil markets—and Malaysia's only Fortune 500 company—with interests in 34 countries, including Sudan, Myanmar and Vietnam.

New Petronas CEO Shamsul Azhar Abbas



Note: Fiscal years end March 31 of years shown.
Source: Thomson Reuters Datastream
Photos: The New Straits Times Press via Reuters (Shamsul), Agence France-Presse (Hassan)

Departing Petronas CEO Hassan Marican

Efforts to reach Messrs. Hassan and Shamsul weren't successful.

In December, Petronas was part of a consortium including **China National Petroleum** Corp. and **Total** SA that won the right to develop Iraq's highly prized Halfaya oil field, with proven crude oil reserves of more than 4.1 billion barrels. It is also among the world's top 15 gas producers and has participated in joint ventures with other Western oil majors, including **Exxon Mobil** Corp., which analysts say enabled Petronas to develop more sophisti-

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Markets plunge on Euro debt, U.S. jobs

By Brian Baskin

NEW YORK—Financial markets took a collective dive Thursday as mounting concerns about U.S. unemployment and the stability of deficit-heavy euro-zone economies drove investors out of riskier assets.

An unexpected increase in new U.S. jobless claims, coming just one day before crucial monthly jobs data is due, erased optimism stemming from strong housing and manufacturing data early in the week.

ABREAST OF THE MARKET

But it was the growing cost of insuring the debt of several European economies, including Greece and Portugal, that spooked investors most. Throughout the day, they fled currencies and markets seen taking the biggest hit should debt troubles in Greece or elsewhere lead to a full-blown crisis.

The concern about sovereign debt "is sucking risk appetite out," said Stephen Platt, analyst with Archer Financial Services. "The economic recovery is still kind of touch-and-go."

While the dollar hit a fresh eight-month high against the euro, stocks and commodities were hit hard by the flight to safety.

The Dow Jones Industrial Average was down 204.20 points, or 2%, at 10066.35 in midday trade. The Standard & Poor's 500-share index was off 2.3% at 1071.86 and the tech-heavy Nasdaq Composite was down 2.2% to 2143.04.

In Europe, the pan-European Dow Jones Stoxx 600 Index tumbled 2.7% to 242.70, its biggest one-day drop since Nov. 26.

The declines were even more severe in commodities, with March oil futures down 4.9% to $73.23 a barrel and gold for April delivery, the most actively traded contract, down $50, or 4.4% at $1,062 an ounce. March copper, which was hit by ongoing concerns about potential monetary tightening in China, was off 3.4% to $2.8940 per pound.

The euro was trading at $1.3739, sharply down from $1.3905 on Wednesday. It was the first time it has traded below $1.39 since June.

Greece's struggles with its budget deficit were well known to the market before Thursday. But the euro began sinking rapidly as the cost of insuring not only Greece's debt, but also Portugal's and Spain's, increased sharply during the European day. Investors are concerned that Greece's problems will spread to other deficit-heavy economies, potentially forcing a slowdown in the economic recovery in order to

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Lenovo swings to a profit

Quarterly PC shipments surge 42%, boosted by strong demand in China market

By Lorraine Luk

HONG KONG—**Lenovo Group** Ltd. swung to a quarterly profit due largely to cost controls and robust sales in its rapidly expanding home market, after it changed its strategy to focus on China and other emerging economies.

China's largest personal-computer maker by shipments said consumer demand has been resilient and corporate demand for PC replacements may start to rebound in the second half.

But the Beijing-based company added it will face challenges due to rising component costs because of the increase in demand and its shift to low-priced PCs, which are becoming an important area of growth for the industry.

Lenovo said its profit for the fiscal third-quarter ended Dec. 31 was $79.5 million, compared with a net loss of $96.7 million a year earlier. Revenue rose 33% to $4.78 billion from $3.59 billion.

"The world-wide PC market outlook has continued to show an improvement under increased signs of economic recovery, and consumer demand has remained resilient," Chairman Liu Chuanzhi said. He said the company expects the momentum to continue during the typically slow January-March period for PC makers.

Lenovo said its gross margin in the third quarter rose to 11.1% from 10.2% a year earlier due to a higher-priced product mix and a disciplined pricing strategy despite higher component costs during the quarter.

Chief Operating Officer Rory Read said the company is confident of performing well on the gross margin side.

In its fiscal third quarter, Lenovo's total world-wide PC shipments rose 42% from a year earlier, while its global market share rose to 9% from 8.9% in the previous three months. The company, which bought **International Business Machines** Corp.'s personal computer business in 2005, is the world's fourth-largest PC maker by shipments.

Third-quarter PC shipments in mainland China, Lenovo's largest market, rose 54% from a year earlier. China accounted for US$2.3 billion, or 47%, of its total revenue.

Chief Executive Yang Yuanqing reiterated in a teleconference that Lenovo, whose shares trade in Hong Kong, is interested in listing yuan-denominated A shares in mainland China, and the company will start working on the mainland listing when the opportunity arises. Mr. Yang said the company is still awaiting details of China's new listing regulations.

Chinese media have reported the government may allow foreign-registered companies such as Lenovo to list on mainland stock exchanges as soon as this year.

Lenovo, which has made some acquisitions, remains open to acquisition opportunities that would provide synergies, Chief Financial Officer Wong Wai Ming said in the teleconference. But he declined to name any regions or companies that Lenovo is interested in.

Arrests in Korea may cast cloud over Hynix sale

By In-Soo Nam
And Jung-Ah Lee

SEOUL—The arrests of several executives, including one from **Hynix Semiconductor** Inc., on suspicion of stealing chip-making technology from a bigger rival threatens to cast a cloud over creditors' efforts to sell down a stake in Hynix, analysts say.

South Korean prosecutors confirmed Thursday that they arrested two executives from **Applied Materials** Inc. and an executive from Hynix Semiconductor for allegedly being involved in taking documents from **Samsung Electronics** Co. about several process techniques and giving them to Hynix officials. Prosecutors said 14 other employees from Applied Materials and Hynix, and one from Samsung, are also under investigation.

The development comes as creditors of Hynix, the world's second largest maker of computer memory chips by revenue after Samsung, are looking to sell down their stake in the company to recoup their investments after several debt-for-equity swaps in recent years.

"It will make the stake sale in the overseas market ever more difficult," especially when creditors are already reluctant to sell their stake to foreign buyers because of concerns about a potential technology leak, said Greg Roh, an analyst at HMC Investment Securities.

Creditors of Hynix this week decided to extend by two more weeks the deadline to accept bids for their 28% stake in the chip maker after they received no bids in a second auction.

Hynix creditors sent out invitations in December to local investors to seek bids again after the first auction failed in November. South Korean conglomerate **Hyosung** Corp., which had been the sole bidder for the stake, withdrew its bid in November on concerns about funding.

Hynix said in a statement it didn't use technology from a rival for its chip development.

A Hynix representative in the U.S. didn't respond to requests for comment.

Samsung spokeswoman Lee Soo-jeong said Thursday that the company is "very concerned by this transgression as it is likely to damage the semiconductor market."

Ms. Lee said Samsung plans to take "appropriate measures," without elaborating.

Earlier, Applied Materials disclosed the arrests in a filing with the Securities & Exchange Commission. It said there are "meritorious defenses to the charges" and the company is taking appropriate measures.

Applied Materials supplies semiconductor-making equipment to companies such as Samsung and Hynix, which are rival makers of memory chips.

Shares in Samsung fell 0.1% Thursday to 776,000 won ($676), while Hynix shares rose 2.1% to 21,750 won. The broader market closed up 0.1%.

—Evan Ramstad and Jerry A. DiColo contributed to this article.

Hitachi posts gains, names president

By Ayai Tomisawa

TOKYO—**Hitachi** Ltd. said it returned to the black in its fiscal third quarter and it named a new president to spearhead growth in its infrastructure-related business.

Hitachi, whose products range from personal computers to elevators and nuclear reactors, posted a group net profit of 21.88 billion yen ($240.5 million) for the three months ended December, reversing a net loss of 371.1 billion yen a year earlier, thanks to aggressive cost-cutting and improved industrial machinery sales.

The result well exceeded analysts' mean forecast of a 22.8 billion yen net loss compiled by Thomson Reuters.

The company Thursday also recorded an operating profit of 66.36 billion yen, compared with the previous year's 14.52 billion yen loss, and revenue of 2.158 trillion yen, down 5% from 2.261 trillion yen.

The sharp recovery reflects improved profitability in its digital media and consumer products business due to increased demand for flat-panel television sets and optical disk drive products. Moreover, its power and industrial systems division enjoyed a recovery in sales of thermal plant equipment to Europe, as well as sales of elevators and escalators to China. The segment also benefited from higher demand for automotive systems thanks to economic stimulus measures in various countries.

However, Hitachi still suffers weakness in its information and telecommunications systems division, hit by domestic companies' low spending on information technology.

"Our IT business will experience difficulties until the first half" of next fiscal year, said Takashi Miyoshi, executive vice president.

On the same day, the Japanese electrical machinery conglomerate said it will appoint Vice President Hiroaki Nakanishi as new president effective April 1, for which it will seek shareholders' approval in June. Takashi Kawamura, who currently serves as president and chairman, will remain in the latter role.

Hitachi bases its financial results on U.S. accounting standards.

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Refining saps Shell's profit

Anglo-Dutch oil company to cut 1,000 jobs as downstream business posts $427 million loss

By Guy Chazan

Royal Dutch Shell PLC released disappointing fourth-quarter results, dragged lower by what Chief Executive Peter Voser called the worst refining environment in his 25 years at the company.

The problem for Shell is what to do with its refining and marketing business when the world is awash in on oversupply of petroleum products. The Anglo-Dutch company's solution: offloading 15% of its refining capacity and shifting Shell's focus to growth markets in Asia.

Shell said it would cut 1,000 jobs, many of them in its so-called downstream operations—that is, refining, marketing and retailing.

But that might not be enough to stop the rot, with some observers predicting the sector will remain in the doldrums for years to come. That has big implications for vertically integrated companies like Shell that not only produce crude but process it into gasoline and diesel sold at their own filling stations.

Some companies are moving to reduce their presence in the downstream side of the business. **Statoil** ASA, the Norwegian oil giant, said this week it is considering a stock offering of its international chain of gas stations.

Shell on Thursday reported earnings of $1.96 billion, compared with a loss of $2.81 billion a year earlier.

The company said the clean current cost of supplies, a closely watched figure that strips out gains or losses from inventories and non-operating items, fell 29% to $2.77 billion. That was lower than most analysts' forecasts.

The downstream operation posted a loss of $427 million, echoing similar losses at **Exxon Mobil** Corp and **Chevron** Corp.

Refining margins—the amount of money a refiner can earn from processing a barrel of crude—have been squeezed by weak demand for fuel, rising oil prices and high inventories.

Agence France-Presse/Getty Images

A petroleum-products glut has had a big impact on Shell, which refines and retails fuel. Above, a Shell station in London.

Overcapacity also is an issue. Some two million barrels a day of new refining capacity came onstream last year, most of it in China and India. Mr. Voser said the outlook for the industry remains "difficult."

Shell's refining woes are overshadowing progress in other parts of its business. A corporate overhaul started by Mr. Voser when he took the reins at the company last year delivered $2 billion in cost savings in 2009. He has promised a further $1 billion in savings this year. The company's production of oil and gas, which had been falling for seven years, has now stabilized and should start to rise next year as a slew of new projects come online.

Consequently, Shell is downsizing its downstream business. It has sold 13% of its refining capacity over the past five years and is in talks with potential customers on divesting an additional 15% in New Zealand and Europe—some 560,000 barrels a day.

India's **Essar Group** is trying to buy three of Shell's European refineries. Shell also is converting its Montreal East processing plant into an oil-products terminal.

But Shell still is far behind some of its peers. **BP** PLC sold two European refineries along with its commodity-chemicals business in 2005 and its last U.K. refinery in 2007. BP, alone among the oil majors, reported a fourth-quarter profit in its downstream business, albeit a small one.

Refining enjoyed a boom in the early part of the past decade, before the global recession decimated energy demand. Demand for oil products rose 1.5% to 2% a year, mainly driven by China's thirst for fuel.

Any return to those days is unlikely. "To envisage a return to those growth rates globally in 12 to 18 months is optimistic," said Jason Kenney, an analyst at ING. "We should be thinking of three to five years or more."

Malaysia names new chief for Petronas

Continued from page 13

cated energy production and exploration operations than many other state oil companies.

No reason was given for ending Mr. Hassan's 14-year reign at Petronas, which is also Malaysia's biggest company and its largest bond issuer, with estimated outstanding bonds of $10 billion. His term was due to expire on Feb. 9, but some oil and gas experts had hoped the government would renew his position in recognition of Petronas's success since he took over in 1995.

A spokesman for Mr. Najib said the shake-up wasn't intended to assert more government control. Mr. Hassan "has done very well," he said, but "it's time for someone else to be given a chance." He said Petronas has exercised a large measure of independence from the government in years past and "that is not going to change."

For the six months ended Sept. 30, 2009, unlisted Petronas reported a net profit of $5.74 billion on revenue of $27.78 billion—with roughly half from international operations.

Petronas also provides roughly 45% of the government's revenue through taxes and dividends. Some analysts have speculated the government might want to increase that contribution—potentially at the expense of new oil and gas investments—to plug holes in the national budget after a recession. Malaysia's government in 2009 ran its highest budget deficit in 20 years, at 7.4% of gross domestic product.

Petronas's revenues have also been used in the past to help fund a number of non-oil projects, including the construction of Malaysia's iconic Petronas twin towers, once the tallest buildings in the world. Even so, analysts, opposition political leaders and employees have said they believe Mr. Hassan usually resisted outside pressure to divert Petronas money to other projects, and that more such diversions would have occurred had he not opposed them. Over the years, Mr. Hassan successfully objected to government personnel and investment proposals for the company, said a Petronas official who declined to be named.

Some analysts, employees and opposition leaders are voicing concern that the government is seeking to exert more control over the giant national oil company.

Analysts and others said they feared Mr. Shamsul, despite having wide knowledge of the oil and gas industry after serving in Petronas in various capacities for more than three decades, may be less willing to duck such pressure— if it materializes—because of his lack of experience leading such a large company and his relative inexperience in dealing with the government.

Tony Pua, national publicity secretary of Malaysia's DAP opposition party, said the change at Petronas suggested the government was trying to strengthen its grip on the company. "There is concern that this may open Petronas to abuse by the federal government," he said.

"Hopefully, this latest move won't cause cracks in Petronas," added Kelvin Miranda, an investment strategist in Singapore at private-equity firm Blue Fire Capital Management. He said Mr. Shamsul's appointment wouldn't send positive signals internationally.

In an interview with The Wall Street Journal last November, Mr. Najib implied he wanted to scale back the government's use of Petronas monies. "We have always used Petronas funds for national development," he said. But such practices had left Malaysia overly dependent on oil revenue, he said. "We have fallen a bit into the oil trap" and need to reconsider the use of oil revenue for subsidizing other parts of the country's economy, he said.

Mr. Shamsul, 57 years old, was formerly the president and chief executive of Malaysian shipping giant and Petronas unit MISC Bhd. from 2004 until he retired in 2009. He joined Petronas in 1974 and held numerous senior positions in the company, including vice president of oil trading and vice president of upstream exploration. He will assume his new position on Feb. 10, Mr. Najib said in a statement.

—Reuben Carder contributed to this article.

Sculpture sets record, signaling art resurgence

By Kelly Crow

A 1960 Alberto Giacometti sculpture sold for £65 million ($104.3 million) at **Sotheby's**, setting a record price for a work of art at auction and signaling a potential resurgence in the art market.

In a tense contest at the company's London salesroom, bidding on the spindly bronze "Walking Man I" began at £12 million and quickly escalated, with roughly 10 bidders vying for the sculpture. The winner bid over the telephone and chose to remain anonymous.

The sale breaks the previous $104.2 million auction record, set six years ago at Sotheby's, for Pablo Picasso's 1906 portrait "Boy With a Pipe," whose buyer remains unknown.

The lofty price for the Giacometti work came as a surprise to Sotheby's, which had expected the sculpture to sell for around one-fourth of the final price. David Nahmad, a Monte Carlo-based art dealer who vied unsuccessfully for the Giacometti sculpture, said the sale shows that after a weak year, the wealthy are once again "parking their cash in art."

The six-foot-tall bronze depicts a wiry man in mid-stride, his right foot jutting forward, his head erect and his arms hanging at his side.

Giacometti, a Swiss modern master known for his haunting sculptures of blank-face Everymen, cast the work 50 years ago as part of a commission to plant several of his bronze figures outside Chase Manhattan Bank in New York City's financial district. The artist famously struggled with the project and eventually abandoned the commission. But he later cast stand-alone versions of some of the planned sculptures, including "Walking Man I."

The steep run-up in bidding for the Giacometti Wednesday was likely aided by two factors: the work's large size and the artist's popularity among buyers from Russia and the Middle East.

Reuters

'Walking Man I' sold for $104.3 million at Sotheby's on Wednesday.

U.S. retailers gain steam

Sales rise 3.3% as consumers return; Macy's, Abercrombie see gains

By Karen Talley

U.S. retailers continued their comeback, with long-suffering categories like department stores and apparel retailers showing signs that consumers are coming back.

January same-store sales rose 3.3%, according to the 29 retailers tracked by Thomson Reuters. The monthly gain, the strongest since April 2008, exceeded projections for a 2.5% advance at stores open at least a year and followed a 2.9% rise in December.

"I think we're seeing that customers came out after Christmas and stayed out," said Janet Hoffman, global managing director for retail at consulting firm Accenture.

Department stores delivered a 2.5% increase after analysts forecast a 0.9% drop. Apparel retailers showed a 7.3% increase when a 3.9% gain was expected. Sales at discounters, expected to remain the strongest group, rose 4.5%

Among department stores, midtier **Macy's** Inc. posted a 3.4% increase, saying that its shift toward catering more to local tastes is paying off. The chain increased its forecast for earnings in its fiscal fourth quarter, which ran through January. **Kohl's** Corp. also increased its earnings target, after reporting 6.5% sales growth for last month. Higher-end **Saks** Inc. reported a 7% increase. **J.C. Penney** Co. posted a 4.6% drop in sales.

Sales at **Abercrombie & Fitch** Co., the teen retailer that has struggled the most during the recession, rose 8%. The rise came after a 20% slump a year earlier. But analysts had expected an 8.4% drop for last month, believing the retailer was losing its cachet.

Fellow teen retailer **Buckle** Inc. posted a drop of 1.2%, confounding analysts' expectations for a 4.1% increase. The decline was the first since Thomson Reuters began tracking the company in 2006 and came after a double-digit percentage gain in January 2009.

Costco Wholesale Corp. said higher gasoline prices and strengthening foreign currencies had a positive impact on sales, which rose 8%. Fellow mass merchandiser **Target** Corp.'s 0.5% increase fell short of analysts' forecast of 1.4% growth as the discounter continued to lose ground to rivals.

Getty Images

Macy's increased its forecast for the quarter through January.

But low-priced apparel chains **TJX** Cos. and **Ross Stores** Inc. continued their strong showings, posting increases of 12% and 8% respectively and boosting their forecasts.

A couple of retailers were confident enough to say they are increasing inventories after the industry slashed stockpiles for a good part of last year. **Wet Seal** Inc. raised its earnings forecast. January sales fell 3.7% but the company said inventory per square foot rose 12% as it finished the fourth quarter.

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To enter or to find out more, visit asia.wsj.com/aia
Deadline for entries: March 26, 2010

Glaxo CEO sees delay in U.S. reforms

By Jeanne Whalen

The uncertainty surrounding U.S. health-care reform means that legislation isn't likely to get passed until next year, the chief executive of drug giant **GlaxoSmithKline** PLC said. Andrew Witty said any reforms need to "tackle the volume of consumption" of health-care services in the system and ensure that good value is achieved.

"I don't want to be in a business or industry that's perceived as not giving value for money," he said. Studies comparing the effectiveness of various treatments will be used to help make these judgments, he told journalists as Glaxo reported fourth-quarter earnings.

In the three months to Dec. 31, net profit soared 32%, to £1.8 billion ($2.86 billion) from £1.36 billion a year earlier, boosted by a £296 million gain from spinning off its HIV activities into a joint venture with **Pfizer**. Sales rose 17% to £8.09 billion from £6.91 billion, reflecting in part the pound's weakness.

Because Glaxo sells most of its products abroad, it has reaped huge gains from the pound's decline against other currencies. The drug maker also benefits from having a large pound-denominated cost base. But this effect didn't completely offset the impact of generics on Glaxo's U.S. drug business, where sales declined 13% for the full year.

Glaxo said full-year sales of its Pandemrix pandemic-flu vaccine totaled £883 million, higher than the company's recent guidance of £835 million but below initial expectations, which were lowered following a relatively mild H1N1 pandemic.

Mr. Witty is shifting away from dependence on blockbuster drugs such as asthma treatment Advair, and toward generating growth from new products, emerging markets and the consumer business. Glaxo's move toward diversification is reinforced by the prospect of key patents expiring in the next three to five years. The list includes Advair, with a patent due to expire this year. Herpes virus infection treatment Valtrex, epilepsy drug Lamictal and migraine-relief drug Imigran all lost patent protection in 2009.

—Sten Stovall contributed to this article.

Tech spending starts to bounce back

Cisco CEO Chambers sees new 'phase of the recovery' as networking giant posts 23% jump in quarterly profit

By Ben Worthen And Don Clark

Business spending on technology goods and services is returning as the economy mends, pumping new life into suppliers such as **Cisco Systems** Inc., though it has been slower to reach other sectors.

The big maker of networking gear Wednesday posted a 23% jump in quarterly profit and 8% gain in revenue, its first such increases in a year.

The economy has entered a new "phase of the recovery," said John Chambers, Cisco's chief executive, in a call with analysts, adding that he planned to hire up to 3,000 workers in coming quarters. "This is one of the most robust positive turnarounds I've seen in my career," he added.

Cisco's results add to a growing body of evidence that companies are starting to open their wallets after the recession. The Commerce Department last week said business spending on equipment and software rose at a 13.3% annual rate in the fourth quarter, adjusting for inflation. That was the fastest growth since early 2006.

Still, spending was 18.5% below the level it reached in late 2007. Just to keep pace with depreciation, economists reckon companies will need to continue raising capital-spending levels in the quarters to come.

That might happen, especially with improved corporate profits helping to fuel optimism. Through Tuesday night, with 255 companies in the Standard & Poor's 500 having reported, earnings were 47% higher than a year ago, excluding financial-services companies whose troubles last year would skew the figures. Sales growth was 3.8% so far, excluding financial-services companies, noted S&P.

Mr. Chambers said in an interview that Cisco's return to growth was partly a result of a rising tide. Cisco's growth "was too uniform" across product lines and geographies for it not to signal a greater shift in the economy, he said.

Bloomberg News

Cisco Chief Executive John Chambers said demand in the quarter was robust across product lines and geographies.

Companies appear particularly eager to spend on technology, which forms the backbone of many corporate infrastructures and can boost productivity. As a result, Cisco and its peers, which fell into a severe slump starting in the fourth quarter of 2008, have rebounded sooner than companies in other sectors, such as industrial equipment.

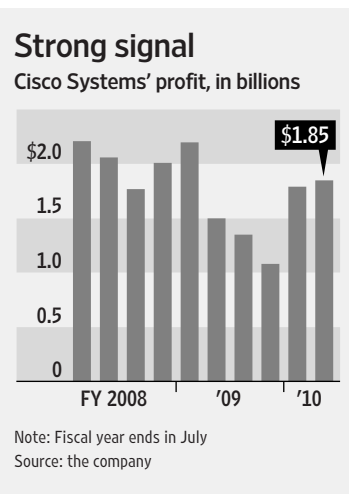
While most of the tech sector's initial gains came from selling products such as laptop computers and smart phones to consumers, recent results point to improvement in sales to business.

Intel Corp. last month said revenue for the division that sells chips for corporate server systems rose 42%. **International Business Machines** Corp. booked record amount of new consulting contracts in the fourth quarter, though IBM executives were guarded than Cisco about the economy. **Sybase** Corp., known for database software that is popular among financial-services companies, last week reported a 34% jump in profit for the period ended in December—which it characterized as the best quarter in its history.

Signs of capital spending outside the tech sector have been gloomier. Though many companies are predicting a rebound, the evidence of a turnaround has been scant so far. **General Electric** Co.'s revenue fell 10% in the fourth quarter, on declining orders for industrial equipment and the shrinkage of GE Capital, for example, while hydraulic-parts maker **Parker Hannifin** Corp. said revenue declined 12%.

Telecommunications provider **Verizon Communications** Inc., for one, said sales to businesses fell in the fourth quarter and added it wasn't seeing any significant pickup yet in capital or technology spending by its largest customers. "The signs of recovery are slow," John Killian, Verizon's chief financial officer, said last week.

Cisco is one of the first tech companies to report earnings that include January. The company is seen as a barometer for the tech industry because its customers span a variety of industries and sizes.



It's clear the economy "is getting better," said Nikos Theodosopoulos, an analyst at UBS Securities, adding, "Now the story is the slope" and how Cisco differentiates its recovery from the rest of the industry. Cisco's revenue increase was significant, he said, and likely helped by customers looking to spend the remainder of their tech budgets in December.

For its fiscal second quarter ended Jan. 23, Cisco's profit was $1.85 billion, up from $1.5 billion a year ago. Revenue rose to $9.8 billion from $9.1 billion a year earlier. Before these results, Cisco had experienced four straight quarters of declining sales and profits, including a 13% revenue drop in the October quarter. For the current quarter, Cisco forecast revenue would rise 23% to 26% from a year ago.

The results sent shares of the San Jose, Calif., company up 0.8% to $23.25 in midday trading Thursday on the Nasdaq Stock Market, bucking a broader market selloff.

Cisco's bullish outlook holds particular weight as it was among the first companies to say the downturn, once limited to the financial sector, was affecting the rest of the economy. Also, Cisco has a track record of emerging from recessions and continuing to grow. A highflier during the dot-com era, Cisco suffered a revenue decline when that bubble burst and took several years to fully recover.

But Cisco nearly doubled its revenue between 2004 and the start of the current recession, as businesses invested in their infrastructure as the Internet took on an increasingly key role in day-to-day business.

Cisco's return to growth in the latest quarter was highlighted by strong sales in the U.S. and Canada, where revenue increased 12% to $5.3 billion compared with the year-ago quarter, and in Asian countries excluding Japan, where sales rose 16% to $1.1 billion. Revenue in Europe declined 3% to $1.9 billion.

Mr. Chambers said Cisco would "continue to be very aggressive" and didn't plan to stop expanding. He added Cisco, which trimmed its work force last year, expects to hire between 2,000 and 3,000 new workers during the next several quarters. The company currently has nearly 66,000 employees.

—Justin Lahart and John Shipman contributed to this article.

Polo's gallop into Asia gives its investors pause

By Rachel Dodes

Polo Ralph Lauren Corp. is making a big bet to expand in Asia, but the cost of that effort rattled investors Wednesday.

The company aims to eventually double Asia's contribution to its revenue, so that it accounts for one-third of the total. And it is spending heavily to pull that off. Over the past year, Polo has opened a headquarters in Hong Kong and hired 700 people in the region.

The apparel maker and retailer warned Wednesday, however, that its investment in its Asian business would shave between eight and 10 cents a share off of earnings for its fiscal fourth quarter ending April 3. The hit will stem from Polo taking direct control of its wholesale and retail distribution in Asia.

Polo shares fell more than 8% on investor concerns about the upfront expense for the expansion, which isn't expected to bolster revenue or earnings at the apparel and home products company for at least another year. At midday Thursday, the shares were down a further 1% at $77.66 in New York trading.

"I think it pertains to many of these costs being upfront," Brian Sozzi, an analyst at Wall Street Strategies, said of the reaction.

Polo hasn't divulged what it plans to spend in Asia.

"It would be a myth for this company to say we consider ourselves a global brand and not be positioned in...what is projected over the next 10 years to be the fastest growing market in the world," said Roger Farah, Polo's president and chief operating officer, in an interview Wednesday.

The poor reception from investors, he said, happened because, "in the euphoria over what Asia, and China specifically, could mean [for future growth]...there was a lack of understanding of what the transition would mean to the near-term financials."

Concerns about the cost of the Asia expansion overshadowed Polo's latest quarterly results. On Wednesday, Polo said it earned $111 million, or $1.10 a share, in its third quarter ended Dec. 26, up from $105.3 million, or $1.05 a share, a year earlier. Revenue fell 1% to $1.2 billion.

Following a holiday season characterized by tighter inventories and improving margins, the company raised its full-year outlook. Polo, which operates a 333-store global retail network, said that sales at stores open at least a year, a key measure of retail health, rose 6% in the quarter.

Polo is building up in Asia both to maintain growth and to keep up with competitors like LVMH Moët Hennessy Louis Vuitton SA and PPR SA, which have aggressively expanded into China in recent years. Consumer spending on luxury products in Asia is estimated to have grown 15% in 2009, according to Bain & Co., making it the only region that didn't experience a slowdown last year.

Credit Suisse analyst Omar Saad predicts that Polo's annual revenue in Asia could approach $1 billion within the next five years, compared with about $150 million today.

Polo operates 120 stores in Asia, which accounted for about 17% of its $5 billion in sales for the 12 months ended March 2009. Sales in the region were hampered in the last quarter, because Polo's previous distribution partner, Dickson Concepts International Ltd., wound down its inventory in preparation for the change in control, Mr. Farah said. Polo's new merchandise is just hitting stores now.

Polo has been selectively buying back its licenses over the past several years to elevate its brand and improve its distribution. Last February, Polo announced it was going to assume control over its Asian operations when the Dickson license expired this past Dec. 31 and began building an organization there from the ground up in preparation for the hand-over.

The company's Southeast Asia region covers China, Hong Kong, Indonesia, the Philippines, Singapore, Taiwan and Thailand, but China will be the focus. Polo will discuss its Asian operations in more detail when it reports its full-year results in May.

Retail consultant Emanuel Weintraub said that amid high unemployment and a tepid economic outlook, U.S.-based brands will increasingly turn to Asia to expand. "When the police asked Willie Sutton, 'Why are you robbing banks?' he said, 'Well, that's where the money is,'" Mr. Weintraub said. "That's why you go to Asia, because that's where the money is."

Polo, which sells a wide range of products, such as $45 sweaters at J.C. Penney and $1,500 skirts at Saks Fifth Avenue, is a key indicator of sales at department stores. In the most recent quarter, Polo's sales to department stores slipped 8%, as retailers ordered cautiously to avoid the aggressive discounting that happened over the holidays in 2009.

As a result of leaner inventories, Polo's gross profit margins rose 4.7 percentage points in the quarter to 58.2%.

Reuters

Toyotas make up a large portion of Japan's taxi fleets, such as these cabs in Tokyo. The car maker's tentacles reach into many industries and government agencies, where ex-Toyota officials work.

Toyota's influence looms over Japan

By Mariko Sanchanta And Miho Inada

TOKYO—The emperor of Japan, its prime minister and nearly half of the population of the world's second-biggest economy have one thing in common: They all ride in Toyotas.

The world's biggest auto maker's tentacles and its sprawling subsidiaries stretch from cars to real estate to the upper echelons of government. It is the nation's biggest company by market capitalization and its second-biggest corporate employer. Its advertisements grace nearly every magazine and newspaper. So great is its reach that Japan sometimes is called Toyotaland.

Alumni from **Toyota Motor** Corp.'s executive ranks are scattered like seeds: in the government, in Japan's leading business lobby group, on company boards such as **Sony** Corp.'s. Last year, 48% of all new standard passenger vehicles sold in Japan were either a Toyota or its luxury Lexus brand, according to the Japan Automobile Dealers Association.

In short, Toyota is to Japan what **General Motors** Corp., in its heyday, was to America. And for a beleaguered country that has suffered a series of institutional blows in recent months—the collapse of the long-ruling political party, the bankruptcy of its champion national airline, a renewed bout of deflation—the global humiliation of Toyota may be the most psychologically damaging blow of all.

The once-impregnable car maker is facing questions over its reputation, quality control and trustworthiness in a market where it has long been a pillar, if not the pillar, of Japan Inc. Even worse, those questions are focused squarely on Japan's best-selling car, the Prius hybrid, over a possible defect in its braking system.

"I trusted Toyota," said Ryota Motoike, 25, an employee of a railway company, who bought a Toyota Wish. "The fact that the problem occurs in the popular Prius, which I was thinking of buying at one point, bothers me," he added. "I cannot trust Toyota for now at least. I don't want to get hurt in an accident."

Until the Prius brake issue came to light Wednesday in Japan, consumers here were relatively sheltered from the daily deluge of recall news emanating from the U.S. Japanese newspapers wrote curiously little about the issue.

"Toyota is a major advertiser in Japan and the media and so there is a tendency to not say anything too severe about such a big advertiser. That's the difference between how this is playing in the U.S. and Japan," said Shoichi Yoshikawa, a managing director at public relations agency Hill & Knowlton Inc. in Tokyo.

Aftershocks from the crisis in Japan will be felt far and wide, but nowhere more acutely than in Aichi prefecture, where the company is based. Normally, about 20% of the prefecture's corporate tax revenue comes from Toyota and its group companies. Last year, when the car maker reported its first loss in over 50 years, its ratio of corporate tax revenue plummeted to 3%, according to Kazuhiko Nomura, an official of the Aichi prefecture who watches tax revenues.

The prefecture's tax revenue is forecast to fall to 968 billion yen ($10.64 billion) for the fiscal year ending March 31, from 1.3 trillion yen for the previous year, its largest year-over-year drop ever. That is forcing some 70,000 public workers of the prefecture, including teachers and police, to endure a 4% salary cut.

"Toyota has a huge impact on companies around it. Whether it's good or bad, its impact would ripple through its group companies and subcontractors, and sub-subcontractors. Thus, it's hard to gauge how much effect this problem will have," said Mr. Nomura.

Across corporate Japan and in Kasumigaseki, Tokyo's hub of government, Toyota's former and present executives wield considerable influence. Fujio Cho, the chairman of the board of Toyota, also is a director at Sony and a vice chairman of Japan's Keidanren, the country's most influential business lobby. Japan's economics, trade and industry minister, Masayuki Naoshima, is a former Toyota employee.

Japan's emperor and empress glide around in a Toyota Century Royal, the official state car that is custom-made for $500,000. The official car of Prime Minister Yukio Hatoyama is a Lexus hybrid LS600HL. In the summer of 2008, the government decided that all high-ranking ministers and public servants must switch to eco-friendly cars by the end of March 2013.

Akira Kaneko, an official in charge of procurement and maintenance of the prime minister's car, said, "As a user, all we care is whether the car is among the defected models. Fortunately, it's not the new Prius. While this is a Lexus, this is not the Lexus sold in the U.S. We're not making a fuss over this issue at all."

—Daisuke Wakabayashi contributed to this article.

Toyota expands investigation of hybrid-vehicle brakes

Continued from first page

tronic throttle systems. Toyota says it puts the components through extensive testing but hasn't been able to produce such failure.

In Toyota's first news conference on the emergence of the Prius brake complaints, Hiroyuki Yokoyama, Toyota's quality general manager, said that in late January it rewrote the braking-system software following an increase in complaints in December. The Prius cars assembled since then all carry the modified version of software in their braking systems, but the company has yet to decide on whether and how to rewrite the programs on the cars it has already sold, he added.

"This was part of our daily operations. Our dealers regularly handle all kinds of car-related complaints, and we look into them and make changes accordingly," he said.

The company didn't make any public announcement of the software changes at the time. "We weren't covering up the claims [on the Prius]," Mr. Yokoyama said.

Earlier Thursday, Japan's consumer-affairs minister, Mizuho Fukushima, met Toyota Managing Officer Mitsuru Takada in a 15-minute session, where she urged the company for an "accurate and quick release of information" to consumers related to the Prius brake problems, according to Hiroshi Nomura, an official with the Consumer Affairs Division of the ministry.

Mr. Yokoyama said Toyota first received consumer complaints via dealers last autumn. "Depending on road conditions, Prius brakes were sometimes slow to respond when drivers kept lightly pressing them," he said. When the automatic braking system is enabled on certain road conditions, the car switches from regenerative braking to hydraulic braking. The lag between the two systems can result in cars stopping a little later than the drivers expect.

In contrast to the negative attention, Toyota reported surprisingly strong financial results Thursday for its fiscal third quarter, underpinned by cost cuts and government subsidies in some places for fuel-efficient cars. The company said it expects to report a profit for the fiscal year ending in March, compared with earlier expectations of a loss, despite the accelerator-related recall.

Toyota said the impact from brake problems related to its newest Prius hadn't been factored into its estimates. "It's difficult to see the impact [of the recent recall] for the next fiscal year. We'll keep an eye on developments," Takahiko Ijichi, a Toyota senior managing director, said at a press conference where the company announced earnings.

Increasing fears about the recall have pressured the company's shares. On the Tokyo Stock Exchange Thursday, Toyota shares ended 3.5% lower at 3,280 yen.

Toyota posted a net profit of 153.22 billion yen in the three months ended Dec. 31, improving from a net loss of 164.64 billion yen in the same quarter a year earlier. It attributed the turnaround to cost-cutting and sales recovery in Asia and North America, which canceled out the effects of a strong yen..

—Kate Linebaugh contributed to this article

CORPORATE NEWS: TOYOTA'S CHALLENGE

Concern over car electronics grows

U.S. regulators expand Toyota probe to examine whether electromagnetic interference plays role in acceleration

By Nick Wingfield

An expanded U.S. investigation into vehicle safety is renewing a debate over a troubling possibility: that electrical interference inside today's computerized cars could cause dangerous, unwanted acceleration.

In the wake of numerous reports of unwanted acceleration in cars made by **Toyota Motor** Corp., the National Highway Transportation Safety Administration on Wednesday said it has begun a "fresh look" at the possible impact of electromagnetic interference, or EMI, on modern throttle systems, though the agency said it has "no reason" to believe there is a safety defect in those systems.

The focus on EMI highlights a concern among some electrical engineers and auto-safety experts that has grown as vehicles have come to depend increasingly on electronic, rather than mechanical, systems.

A decade ago, gas pedals controlled the engine throttle through the movement of a mechanical cable. Now, accelerator pedals on many vehicles are connected to electronic throttle controls, which rely on sensors that transmit signals calling for, say, greater or less speed to the vehicle's engine-control computer.

Toyota introduced electronic throttles on Lexus vehicles in the late 1990s before expanding them to other models.

Throttle-control sensors are just one of the electronic devices inside modern cars. Car makers are replacing other mechanical systems with electronic ones, including "brake-by-wire" technologies and radio transmitters that do away with traditional key ignitions. Other electronics are found in emissions controls, air-conditioning systems and navigation screens.

Virtually all electronic hardware gives off EMI that can at times interfere with other devices. (One example is the buzz that a BlackBerry smart phone can create when it is too close to a speaker.) The worry is that the array of auto electronics could generate signals that tell an engine or another component to do something it shouldn't.

Antony Anderson, an electrical engineer in the U.K. who has testified as an expert witness in lawsuits against car companies, said that in theory, electronic noise on some of these signals could command a car's computer to fully open its throttle.

"There is always the possibility of electronic disobedience," Mr. Anderson said.

Toyota spokesman John Hanson said the company is "very supportive" of NHTSA's plans to further study electrical interference. Mr. Hanson said Toyota has done "exhaustive testing" but has yet to find any evidence that such a problem could lead to unwanted acceleration.

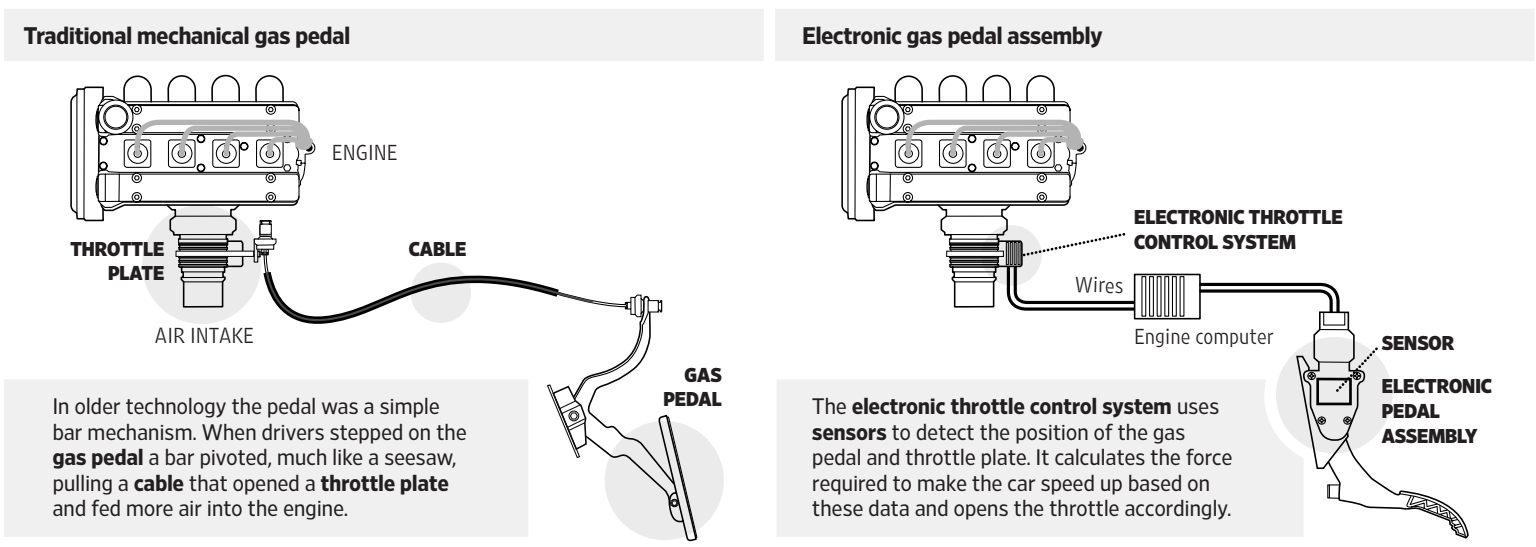
Other industries also have to contend with the risk of EMI. Airplane passengers aren't allowed to use electronic devices during takeoffs and landings on concerns that interference could affect flight instruments. The possibility that cellphones could cause a malfunction in medical equipment is a reason many hospitals restrict their use.

It has been difficult to prove that EMI can cause a crash, in part because such events usually leave no trace. Keith Armstrong, another U.K.-based electrical engineer who has served as an expert witness in suits against car makers, said the industry's method of testing car electronics isn't sufficient.

Mr. Armstrong, who was interviewed this week by the NHTSA on the risks of EMI in cars, said car makers can't test in a reasonable amount of time all the variables that could contribute to an electronic disturbance. He believes car companies should submit safety-critical software and electronics to independent assessors for review.

He also thinks cars should have a "kill-switch" that operates independently from the rest of the vehicle electronics and can disable, say, the flow of gas if it senses a brake and accelerator being pressed at once.

Revving the engine | Electronic throttles have replaced mechanical ones in many vehicles.


Traditional mechanical gas pedal
ENGINE
THROTTLE PLATE
CABLE
AIR INTAKE
GAS PEDAL
In older technology the pedal was a simple bar mechanism. When drivers stepped on the gas pedal a bar pivoted, much like a seesaw, pulling a cable that opened a throttle plate and fed more air into the engine.
Electronic gas pedal assembly
ELECTRONIC THROTTLE CONTROL SYSTEM
Wires
Engine computer
SENSOR
ELECTRONIC PEDAL ASSEMBLY
The electronic throttle control system uses sensors to detect the position of the gas pedal and throttle plate. It calculates the force required to make the car speed up based on these data and opens the throttle accordingly.

Sources: Edmunds; thetruthaboutcars.com; Toyota — Diagram is schematic — Illustration by Jim Hatch

GM, Toyota maintain sales momentum in China

By Patricia Jiayi Ho

BEIJING — **General Motors** Co. and **Toyota Motor** Corp. maintained robust sales in China in January, even as the country's car market is predicted to cool this year following last year's blazing growth.

China displaced the U.S. as the world's largest auto market last year with a 46% increase in vehicle sales to 13.6 million units. Sales were boosted by government measures, including a consumer tax cut for small cars. Last January was the only month in 2009 in which auto sales dropped, as the tax cut didn't take effect until late in the month.

GM said Thursday its January sales in China rose 97% from a year earlier to 219,192 units, while a Toyota spokesman said the Japanese auto maker's sales in China rose 53% to 72,000 units.

Toyota's recall problems didn't hit China until the end of the month. As part of a global recall of some of its vehicles because of faulty gas pedals, Toyota announced Jan. 28 that it is recalling 75,552 RAV4 sport-utility vehicles in China.

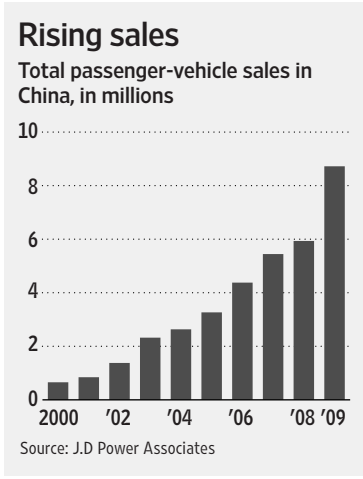
The extent to which the recall difficulties will hurt the Japanese auto maker's sales in the country remains unclear.

Beijing has extended tax breaks for the auto industry this year, but even with the incentives, auto executives widely expect a significant slowdown in industry-wide growth this year to 10% to 15%.

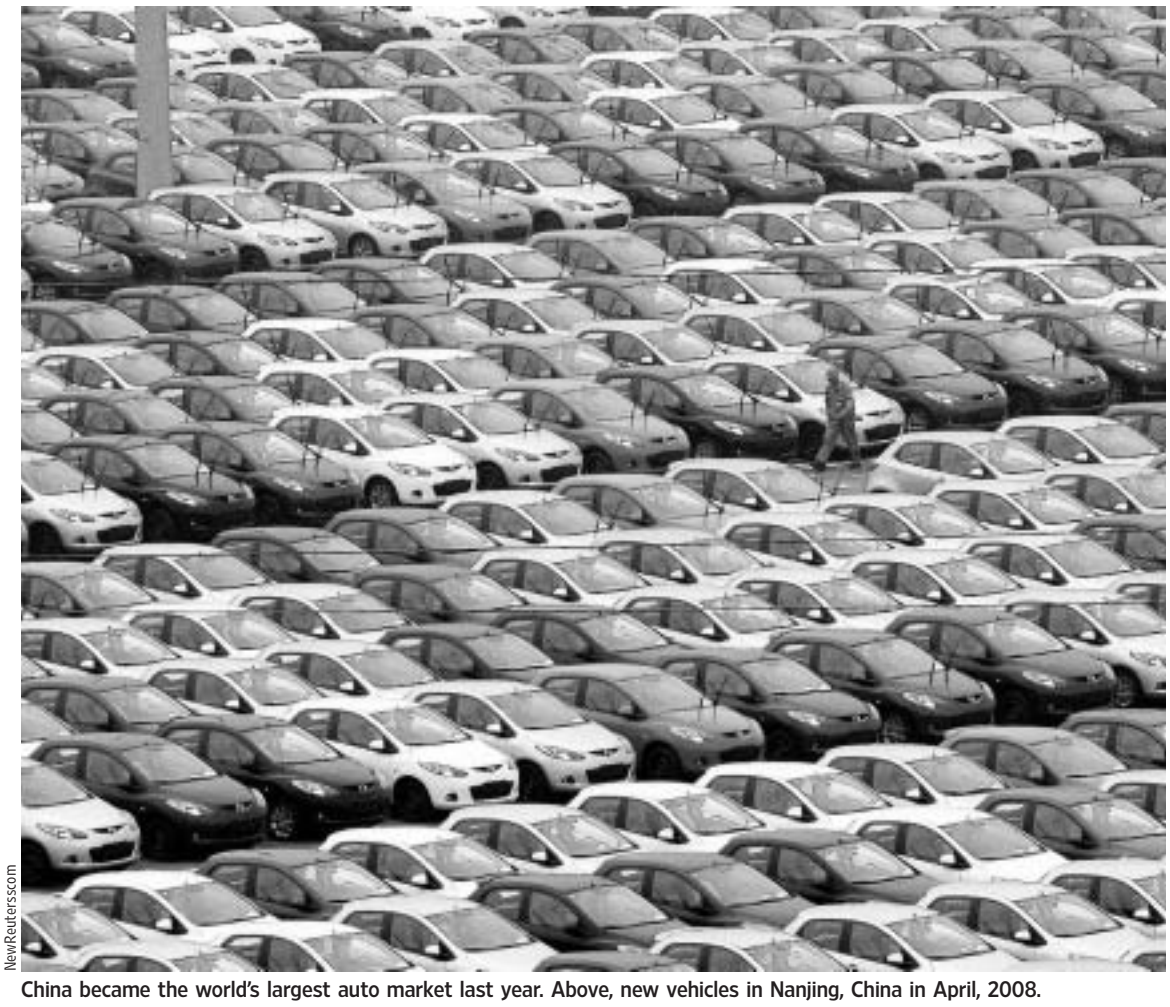
Chang Xiaocun, head of the Ministry of Commerce's market-system development office, said last month the industry could sell 15 million units this year, an increase of about 10%.

GM expects to sell more than two million units in China this year, which would be much slower growth than last year's 67% increase in car sales to 1.83 million.

Earlier this week, **Ford Motor** Co. reported its passenger-vehicle sales in China last month increased 128% from a year earlier to 30,759 units. Industry-wide data for January haven't yet been issued.



Source: J.D Power Associates



NewReuterscom

China became the world's largest auto market last year. Above, new vehicles in Nanjing, China in April, 2008.

China still wants copper

Slide in futures on concerns about Beijing's credit tightening are overdone, analysts say

By Allen Sykora

Worries about China's moves to rein in economic growth have sent copper futures reeling this year after prices more than doubled in 2009.

However, even as Chinese authorities take steps to tighten credit availability, demand from the world's largest consumer of the metal is forecast to remain strong and global supplies are likely to show only a small surplus. That means a copper collapse is unlikely, say market participants, some of whom see the current weakness as a chance to buy.

Brian Hicks, co-manager of U.S. Global Investors' Global Resources Fund, said investors may be overreacting to concerns about China. The fund used the recent retreat to add to its positions, he said. It invests in copper through stocks of miners such as Freeport McMoRan Copper & Gold, Inmet Mining and First Quantum Minerals.

Mr. Hicks expects Chinese growth to remain robust. But even if Chinese copper demand abates, he says, consumption should pick up elsewhere as the world economy recovers. He says copper around $3 a pound is "fairly attractive" and expects a potential to return to $3.50.

With the China concerns as a backdrop, copper hit its lowest point in three months early Thursday. The benchmark futures contract was down 18% since hitting its high for the year of $3.5440 on Jan. 7, as copper gets hit harder than other commodities given its heavy reliance on Chinese demand.

Copper for March delivery, the most actively traded contract on the Comex division of the New York Mercantile Exchange, was down 6.95 cents, or 2.3%, at $2.9040 as of late morning Thursday.

In recent weeks, China has taken several steps to tighten credit, raising expectations that authorities could increase interest rates to keep a lid on inflation. Recent economic data, including strong purchasing-managers index numbers, showed that efforts to curb lending haven't yet crimped economic output.

Reuters

A collapse in copper prices is unlikely, even as Chinese authorities take steps to tighten the availability of credit, analysts say. Here, Chile's Chuquicamata mine north of Santiago produces copper.

Analysts don't expect China to pursue measures that would put a big dent in output. China has undertaken "massive stimulus" to encourage growth, said Bart Melek, global commodity strategist with BMO Capital Markets. "To imagine them unwinding that on the altar of just slightly better times...seems unreasonable to me."

The deputy governor of the People's Bank of China, Zhu Min, said at the World Economic Forum that China will maintain an accommodative policy aimed at 8% to 9% economic growth.

"Those kinds of numbers would be positive and indicate ongoing strong industrial demand for commodities in general, not just copper," said Bill O'Neill, a principal with LOGIC Advisors.

A research report from Bank of America Merrill Lynch suggested construction activity will continue, important since it accounts for as much as 50% of metals demand. The report also said some metal-intensive sectors continue to receive support from China's government, including autos and electronics.

"Despite all the risk in the country's economy, a collapse (in metals demand) seems unlikely at this stage," the report said. "This suggests that China will make a positive contribution to world metals demand."

Harbor Intelligence analyst Jesus Villegas said copper stored in Shanghai Futures Exchange warehouses amounts to less than a week's worth of consumption for China. This shows the country has to keep obtaining metal to meet demand.

Chinese copper consumption will likely remain flat during 2010 at 6.7 million metric tons, according to Barclays Capital base-metals analyst Gayle Berry. Even with a likely slowdown in growth later in the year, "we are looking at a market overall this year that is only going to record a very small surplus."

Copper futures

Daily settlement price on the continuous front-month contract

Thursday, 11 a.m.: $2.904 a pound, down 6.95 cents, or 2.3%

Source: WSJ Market Data Group

S&P takes AAA rating from Buffett's Berkshire

By Kathy Shwiff

Standard & Poor's Ratings Services stripped its top triple-A rating from **Berkshire Hathaway** Inc. and various units, citing the conglomerate's pending $26 billion acquisition of the **Burlington Northern Santa Fe** Corp.

S&P lowered its ratings one notch to double-A-plus. The outlook is stable.

S&P was the last of the three major U.S. ratings firms to have billionaire investor Warren Buffett's holding company at triple-A. **Moody's Investors Service** and **Fitch Ratings** took that gold standard away last year amid the financial crisis.

S&P changed its ratings outlook to negative last March and put them on watch for downgrade in November after the Burlington deal was announced.

Earlier Thursday, Berkshire said it is selling $8 billion of debt to help finance its purchase of the remaining 77% of Burlington it doesn't already own. S&P said the takeover has weakened the capital adequacy of the whole company and its insurance units "to levels no longer consistent with a AAA rating."

Those levels aren't expected to return to extremely strong levels in the near term, S&P analyst John Iten said.

In addition, Berkshire's historically strong liquidity levels have declined because of the deal, which is expected to cost the company about $15 billion in cash, S&P said. The firm also said Berkshire's investment risk remains high and its risk tolerance has increased.

An S&P spokesman wasn't immediately available to say how many companies that it rates remain at triple-A.

Berkshire didn't have an immediate comment.

Proprietary trader leaving Citi

By Aaron Lucchetti

A senior **Citigroup** Inc. proprietary trader, Matthew Carpenter, plans to leave the bank to work at a hedge fund, people familiar with the matter said.

The exit of the 15-year Citigroup veteran, announced internally at the firm Thursday morning, comes as the bank, partially owned by the U.S. government, as well as other banks move away from proprietary trading. Proprietary trading involves making market bets with the bank's money, versus trading on behalf of benefit clients.

In recent years, many bank executives have come to view the business as too risky. Some policy makers view proprietary trading as too divorced from the general health of the economy for companies like Citigroup that take in federally insured deposits.

Last year, Citigroup sold Phibro, its commodities-trading operation, amid controversy over the pay of that unit's head, Andrew Hall. In recent weeks, the Obama administration has proposed structural changes that would limit proprietary trading at big U.S. banks.

Mr. Carpenter, 43 years old, ran a desk that made proprietary bets on U.S. stocks rising and falling, a strategy known as "long-short." The strategy is viewed as one of the most likely to be affected if President Barack Obama's recent proposal on restricting proprietary trading at banks becomes law.

Citigroup Chief Executive Vikram Pandit has said that the bank's plan to return to profitability includes de-emphasizing businesses, such as proprietary trading that don't directly serve the bank's clients.

Another trader who worked with Mr. Carpenter, Matthew Newton, also is leaving the bank.

The traders' moves follow the annual payment of bonuses at Citigroup and many other banks.

Many at Citigroup are receiving less upfront cash compensation than their peers at other banks because of the bank's recent struggles

Mr. Carpenter declined to comment.

BofA ex-staff face civil case; deal with SEC

By Dan Fitzpatrick And Kara Scannell

New York Attorney General Andrew Cuomo filed civil securities-fraud charges against former **Bank of America** CEO Kenneth Lewis and former Chief Financial Officer Joseph Price, alleging they decided not to disclose mounting losses at Merrill Lynch & Co. before getting shareholder approval to acquire the Wall Street firm.

Separately, the bank and the Securities and Exchange Commission reached a $150 million settlement on allegations of misleading investors during the Merrill deal. The settlement requires a judge's approval.

Shareholders approved the purchase on Dec. 5, 2008, not knowing that Merrill had accumulated more than $16 billion in "actual losses" for the fourth quarter of 2008, according to the attorney general. The bank didn't say anything about the mounting losses until the U.S. in January 2009 provided the bank with an additional $20 billion to absorb Merrill.

"We believe bank management understated the Merrill Lynch losses to shareholders to get shareholders to approve the deal then overstated their ability to terminate the agreement to get $20 billion from federal government," Mr. Cuomo said on a conference call.

After the shareholder vote, Bank of America executives went to U.S. officials and said they might back away from the purchase because the losses were greater than they expected. But Mr. Cuomo said Wednesday that "actual losses" were only $1.4 billion greater than at the time of the vote.

"That is just a fraud," he said.

The bank, in a statement on Wednesday, called the charges "regrettable" and said it would vigorously defend against them.

Bank officials have maintained that they followed the advice of counsel in deciding whether to disclose losses prior to the vote, and that pre-vote losses weren't high enough to reveal. The loss projections accelerated in the week after the vote and that is what caused the bank to consider withdrawing from the purchase, officials have said.

Mr. Lewis was CEO during the talks with the government; he left the bank at the end of 2009. Mr. Price, who was CFO during the talks, recently moved to become president of the bank's consumer operations.

Mary Jo White, Mr. Lewis's attorney, said in a statement that Mr. Cuomo's decision to sue was "a badly misguided decision without support in the facts or the law." Lawyers for Mr. Price said the attorney general's allegations were "flatly contrary to the evidence."

The deal between the bank and the Securities and Exchange Commission requires federal Judge Jed S. Rakoff's approval. Last year, Judge Rakoff rejected a settlement offer that required the bank to pay $33 million in penalties. He said it was "unjust" and questioned why no individuals were held accountable. He set a trial date for March 1.

The SEC earlier this year filed additional charges against Bank of America for failing to disclose Merrill's mounting losses ahead of its shareholder vote on the takeover.

The proposed pact would resolve both matters.

Santander profit up 13%

Strength of U.K., Brazilian assets helps offset downturn in Spain

By Christopher Bjork

MADRID—**Banco Santander** SA on Thursday reported a 13% rise in fourth-quarter net profit, helped by strong growth and acquisitions at its U.K. and Brazilian retail banks, which offset weakness in its Spanish home market.

Europe's second-largest bank by market value behind **HSBC Holdings** PLC also said it hit its full-year earnings target, boosted by a string of acquisitions made during the darkest hour of the global financial crisis and some timely asset sales.

Net profit in the three months to Dec. 31 was €2.2 billion ($3.06 billion), up from €1.94 billion a year earlier. Full-year net profit rose 1% to €8.94 billion from €8.88 billion.

Santander's broad geographic reach helped it stand up to the financial crisis better than many banks, leaving it with the firepower to snap up less fortunate players.

The bank's purchases over the past few years—the U.K.'s Alliance & Leicester and Bradford & Bingley, Banco Real of Brazil, Sovereign and a bundle of consumer finance assets—contributed €1.55 billion to the bottom line in 2009.

Santander said it expects the contribution from these assets to rise to more than €2.3 billion this year and €3 billion in 2011. The only purchase that hasn't yielded results is Philadelphia-based Sovereign, which saw a loss of €25 million last year.

Showing good timing, the bank also flipped several assets for which it could demand a good price last year. It sold its Venezuelan unit to the government of Hugo Chavez early this year, before the country devalued its currency. It also sold 15% of its Brazilian franchise in a stock offering at a time when Brazil was one of the best performing stock markets in the world.

A rise in souring loans in 2009 forced the bank to set aside €9.48 billion in provisions, up 44% on the year.

Bloomberg News

Santander said nonperforming loans rose at the slowest pace in five quarters.

Analysts had expected Santander to tidy up its loan book ahead of another tough year for commercial banks, after rival **Banco Bilbao Vizcaya Argentaria** SA last week set aside hefty provisions and reclassified some shaky but still-performing real-estate development and consumer loans as doubtful loans.

Santander did earmark a large chunk of cash for this purpose, but, unlike BBVA, it didn't affect earnings because Santander used the €2.59 billion it had amassed in capital gains over the year to cover potential future losses.

Nonperforming loans rose at the slowest pace in five quarters, to 3.24% of total loans at the end of December. That compares well with BBVA, which had reported nonperforming loans of 4.3%.

Core capital, a measure of a bank's financial strength, rose to 8.6% at the end of the year from 7.7% in September, giving Santander a comfortable capital cushion to face a still sluggish economy in its Spanish home market.

Net interest income—or the profit a commercial bank makes from taking deposits and writing loans—rose to €6.82 billion in the fourth quarter from €5.27 billion a year earlier.

Santander said it will distribute half its 2009 profits out as dividend.

For 2010, Chief Executive Alfredo Saenz said the bank expects growth to be driven by a pickup of activity in Brazil, Mexico, Chile and the U.K. In Spain, the bank will focus on taking deposits, while it expects the economic downturn to keep lending growth weak.

Meanwhile, Santander is in talks over potential business agreements with China Construction Bank Corp., the lender's chairman said.

"They're talks where we hope to reach agreements. I hope to inform later this year about our future partner in China," Chairman Emilio Botin said. The announcement confirmed a report from China Daily in January saying that the two banks plan to create a joint venture with initial capital of three billion yuan ($439.5 million), which could be expanded within three years to five billion yuan. According to the report, China Construction Bank would control 60% of the company, and Santander the rest.

CME profit jumps, says position strong

By Jacob Bunge

The head of **CME Group** Inc. on Thursday shrugged off concerns that proposed regulatory changes could hamper growth at the world's largest futures-exchange operator.

Tougher oversight of the sector, a new challenge to its dominance of the U.S. futures market and the proposed ban on banks' proprietary trading and hedge fund units have all weighed on CME shares in recent weeks.

"I don't think there's anything different" about the competitive threats faced by CME, said chief executive Craig Donohue on a post-earnings' conference call after a near-tripling in fourth-quarter profit.

Mr. Donohue said the array of regulatory proposals are unlikely to have any "significant impact." He also pledged to continue to fight efforts by bank-backed rival ELX Futures to allow customers to move contract positions between the two exchanges.

Craig Donohue

Last month, the U.S. Commodity Futures Trading Commission rejected CME's argument for blocking such transactions, asking the Chicago-based company for further justification.

The ruling raised the prospect that CME's monopoly-like hold over its proprietary futures products could be loosened as the CFTC, under the leadership of new Chairman Gary Gensler, re-evaluates the U.S. futures landscape.

Mr. Gensler has argued that over-the-counter derivatives, such as credit-default swaps, must be standardized so that they can be cleared at multiple clearinghouses. The CFTC's decision on the ELX matter suggested to some analysts that a similar practice could come to the U.S. futures market, a major threat to CME's bottom line.

Mr. Donohue on Thursday said he sees opportunities amid financial-reform efforts, primarily in clearing swap transactions. That market that could represent $320 million in total revenue per year, according to a Morgan Stanley analysis.

CME last month initiated a "soft launch" of its credit-derivatives-clearing service, though the venture has seen minimal business.

Executives said the company plans to launch a separate European clearing entity this year, pending regulatory approval, as it broadens its U.S. offering to include interest-rate and foreign-exchange swaps.

Mr. Donohue also said Thursday that CME continues to consider "non-organic growth opportunities."

CME is close to a $700 million deal to buy the Dow Jones family of indexes, according to people familiar with the situation. It is also been seen as a potential bidder for the neighboring Chicago Board Options Exchange, which is moving toward a long-planned public offering set for mid-2010.

CME has spent more than $20 billion on acquisitions over the past three years, only for industry volume to slide in the wake of the global financial crisis.

Volume has started to improve, helping CME report a $202.6 million fourth-quarter profit. Earnings per share fell to $3.37 a share, excluding impairments, missing analysts' expectations of $3.43 a share. Results were weighed by a $24 million charge related to an investment in the Dubai Mercantile Exchange.

Shares were down 6.7% at $272.50 in midday trade.

CME's trading volumes have recovered after being beaten down by the financial crisis, as energy-related products have shown strength and a new Treasury-linked contract has performed well.

But core product groups like interest-rate derivatives remain under pressure, and efforts by regulators and lawmakers to rein in trading by banks and commodity speculators carry uncertainty for the futures industry, which enjoyed years of double-digit volume growth prior to 2008.

Deutsche Bank moves to profit

By William Launder And Ulrike Daue

FRANKFURT—**Deutsche Bank** AG swung to a net profit in the fourth quarter, boosted by a tax break, but a slowdown in corporate- and investment-banking gains from the previous three quarters disappointed some analysts.

Germany's largest listed bank also said Thursday that it was better capitalized than ever, and raised its dividend for 2009 to 75 European cents ($1.04) a share from 50 cents in 2008.

Josef Ackermann

Net was €1.32 billion, compared with a net loss of €4.79 billion a year earlier. Analysts had forecast net of €660 million.

The latest quarter included a €554 million tax benefit, mainly related to deferred-tax assets in the U.S. Loan losses ticked up slightly to €560 million, bringing the total of bad-loan provisions for 2009 to €2.63 billion.

Corporate- and investment-banking net revenue for the fourth quarter came to €3.5 billion, a sharp turnaround from the €3 billion loss posted a year earlier.

Still, some analysts expressed disappointment, saying the figure represented a weakening from the two previous quarters, when Deutsche Bank booked more than €5 billion in net revenue each period and from the first period, when it booked a gain of more than €4 billion.

UniCredit analysts said the figures beat forecasts only because of the tax break, while J.P. Morgan analysts called the fourth-quarter "earnings quality" disappointing, as results were mainly driven by lower compensation accrual levels rather than revenue. They also noted that the run-rate of investment-banking revenue remains low and "weakish to U.S. peers."

Lower volatility, normalizing margins and "markedly lower client activity" in the last two months of 2009 contributed to the dropoff, Deutsche Bank said. Suggesting a return to the pre-crisis boom years wasn't immediately on the horizon, Chief Executive Josef Ackermann warned that "the effects of the recent crisis will take time to work through."

For the full year, net profit was €4.97 billion, compared with a net loss of €3.84 billion a year earlier. Analysts had expected net profit of €4.3 billion.

The bank's Tier 1 ratio reached 12.6% at the end of 2009, up from 10.1% a year earlier. Analysts have speculated in recent months that Deutsche Bank would need to complete a capital increase to help it digest several planned acquisitions and to meet likely regulatory requirements on bank capital.

Core Tier 1—which analysts consider a more meaningful measure of a bank's capital position—stood at 8.7% at year-end, compared with 7%.

Shares of Deutsche Bank rose 0.8% to €46.20, erasing earlier losses and outperforming the wider Frankfurt market, which was down 0.8%.

MasterCard shares sink as results miss forecasts

By John Kell

MasterCard Inc.'s fourth-quarter profit rose 23% as it processed more transactions and consumer spending grew, but the results fell short of forecasts, sending the company's shares down 8.7% in midday New York trading.

MasterCard and its chief rival, **Visa** Inc., are insulated from credit woes arising from increasing delinquencies because they don't lend to consumers. Instead, they make money from the fees they charge banks. But they have been hurt by lower consumer spending in the economic downturn.

On Thursday, MasterCard said it saw encouraging signs in key aspects of its business, as cross-border volumes increased and processed transactions continued to grow.

MasterCard reported net profit of $294 million, or $2.24 a share, up from $239.4 million, or $1.83 a share, a year earlier. The latest results included 19 cents in severance charges. Revenue improved 6% to $1.3 billion, with currency fluctuations contributing 3.8 percentage points of the increase.

Analysts polled by **Thomson Reuters** expected earnings of $2.46 a share, excluding items, on revenue of $1.3 billion.

World-wide spending on MasterCard-branded cards jumped 5.3% in local-currency terms. The number of MasterCard-branded cards worldwide fell 1.3%, although processed transactions grew 6.7%.

On Wednesday, Visa reported that its fiscal first-quarter profit grew 33% on higher payments volume, as the payment processor's results topped analysts' expectations.

Euro's fall quickens and the yen surges

By Bradley Davis

CURRENCY MARKETS

NEW YORK—The euro tumbled to seven-month lows below $1.38 on Thursday as European Central Bank President Jean-Claude Trichet was unable to allay concern over sovereign debt issued by Greece and other euro-zone countries.

The yen surged against both the dollar and the euro on a flight to safe-haven assets.

The euro dropped following Mr. Trichet's question-and-answer session with journalists after the ECB announced its key interest rates would remain unchanged. The shared currency traded at levels not seen since June 2009.

Midday Thursday, the euro was at $1.3748 from $1.3899 late Wednesday. The dollar dropped to 89.11 yen from 90.98 yen, while the euro plunged to 122.48 yen from 126.45. The U.K. pound was at $1.5754 from $1.5898. The dollar was at 1.0662 Swiss francs from 1.0590 francs.

The pound traded below $1.58 for the first time since mid-October, after the Bank of England's Monetary Policy Committee on Thursday left rates unchanged and voted against extending its bond-buying program for now, but left the door open for future bond buying.

The BOE launched its £200 billion ($318 billion) quantitative-easing program in March last year in an attempt to prevent the fallout from the financial crisis leading the U.K. economy into a downward spiral of deflation and output declines.

The British central bank had already reduced its key interest rate to 0.5% from 5% within a six-month period.

U.S. stocks plummeted Thursday, adding to investors' flight to safety.

The European Central Bank is "confident" that Greece will take all the steps needed to reduce its budget deficit to a sustainable level, Mr. Trichet said. Answering questions after the ECB's monthly policy-setting council meeting, Mr. Trichet said the measures Greece set out in its report to the European Commission on its strategy for deficit reduction were all "steps in the right direction."

He singled out the government's plans to raise taxes on oil products, to freeze public-sector wages and to reform the pension system. Greece presented its belt-tightening plan to the European Commission on Wednesday, but investors continue to doubt whether the country can get is fiscal house in order.

"As far as Greece is concerned, while the political will appears to be there regarding spending cuts, the implementation of them could well be extremely problematic given the hardline nature of the Greek trade unions," said Michael Hewson, an analyst at CMC Markets in London. right direction, European Central Bank President Jean-Claude Trichet said Thursday. He spoke after the central bank kept a key interest rate at a record low of 0.5%.

Mr. Trichet noted first signs of progress in the resolution of Greece's problems and stressed that the euro zone's overall fiscal position is better than many of its peers' in the developed world. However, he warned that failure to keep deficits down could lead the ECB to raise interest rates earlier than expected.

"Euro-zone debt fear, combined with equities under pressure and thin liquidity ahead of non-farm payroll report, puts a solid floor under the Treasury market," said Christian Cooper, interest-rate strategist in New York at RBC Capital Markets.

Treasurys rally as debt worries spur haven bid

By Min Zeng

U.S. CREDIT MARKETS

NEW YORK—The Treasury market rallied Thursday as worries over debt in the euro zone and soft labor-market data in the U.S. spurred investors to seek comfort in low-risk U.S. government debt.

Riskier assets from U.S. stocks to commodities dropped, fueling flows back to Treasurys and helping the bond market reverse losses a day earlier.

German government debt, another safe-haven asset, also rallied.

"It is flight to quality," said Kenneth Broux, financial-markets economist at Lloyds TSB in London.

Late Thursday morning in New York, the 10-year note was up 18/32 point, at 97 29/32, to yield 3.631% from 3.701% late Wednesday, as bond yields move inversely to prices. The 30-year bond was up 29/32 point, at 96 24/32, to yield 4.575%.

Concerns over fiscal problems in several euro-zone nations resurfaced a day after the European Commission's qualified endorsement of Greece's deficit-cutting plan. The cost to insure possible defaults on debt issued by governments in Greece, Portugal and Spain all rose Thursday.

Europe's economic and monetary union still faces challenges in bringing its budgetary problems under control, but is at least going in the

FUND SCORECARD

Sector Equity Technology

Funds that invest primarily in the equities of companies in the hardware and software sectors. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending February 04, 2010

Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
3	**UTI India I.T.**	UTI International Ltd	USD	Mauritius	**-2.92**	171.33	7.26	13.81
5	**DnB NOR Nordic Technology**	DnB NOR Kapitalforvaltning AS	NOK	Norway	**-1.45**	126.36	15.03	17.54
5	**The RSIT Digital Fund**	Reliance Securities InvTrust Co., Ltd	TWD	Taiwan	**-8.79**	103.40	13.11	17.23
2	**Cicero MÖ Time**	Cicero Fonder	SEK	Sweden	**5.10**	97.37	-6.45	7.52
4	**DFE DWS Technology**	Deutsche FE DWS Asset Mgmt Co.,Ltd	TWD	Taiwan	**-5.43**	93.00	9.77	12.12
1	**MFM Techinvest Technology**	Marlborough Fund Managers Limited	GBP	United Kingdom	**3.84**	92.32	-1.37	-1.47
5	**Jih Sun High Tech**	Jih Sun Securities Inv Trust Co., Ltd	TWD	Taiwan	**-11.05**	91.32	12.72	14.87
2	**ING Taiwan High Tech Selection**	ING Securities Invest Trust Co., Ltd	TWD	Taiwan	**-9.88**	90.55	2.70	4.33
NS	**Herald Investment Trust**	Herald Investment Management Limited	GBP	United Kingdom	**0.55**	90.02	-1.15	-1.48
3	**ING Taiwan High Tech**	ING Securities Invest Trust Co., Ltd	TWD	Taiwan	**-10.10**	89.91	4.13	14.34

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	02/03	EUR	50.98	-6.7	22.6	-24.6
ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	02/03	USD	10.15	-2.1	33.4	-13.1
Am Eq Blend B	US	EQ	LUX	02/03	USD	9.53	-2.3	32.2	-13.9
Am Growth A	US	EQ	LUX	02/03	USD	29.89	-4.3	34.5	-3.3
Am Growth AX	US	EQ	LUX	02/03	USD	32.28	-4.3	35.3	-2.7
Am Growth B	US	EQ	LUX	02/03	USD	25.11	-4.4	33.2	-4.3
Am Growth C	US	EQ	LUX	02/03	USD	27.04	-4.3	33.9	-3.7
Am Growth I	US	EQ	LUX	02/03	USD	33.16	-4.2	35.6	-2.5
Am Income A	US	BD	LUX	02/03	USD	8.48	0.6	24.9	5.4
Am Income A2	US	BD	LUX	02/03	USD	19.24	1.1	25.5	5.7
Am Income A2	OT	OT	NA	02/03	HKD	149.42	1.1	25.5	5.7
Am Income AT	OT	OT	NA	02/03	HKD	65.70	1.1	25.5	5.7
Am Income AT	US	BD	LUX	02/03	USD	8.46	1.1	25.5	5.7
Am Income B	US	BD	LUX	02/03	USD	8.48	0.6	24.0	4.7
Am Income B2	US	BD	LUX	02/03	USD	16.57	1.0	24.6	4.9
Am Income B2	OT	OT	NA	02/03	HKD	128.69	1.0	24.6	4.9
Am Income BT	OT	OT	NA	02/03	HKD	66.09	0.6	24.2	4.8
Am Income BT	US	BD	LUX	02/03	USD	8.51	0.6	24.2	4.8
Am Income C	US	BD	LUX	02/03	USD	8.48	0.6	24.3	4.9
Am Income C2	US	BD	LUX	02/03	USD	24.65	1.0	24.9	5.2
Am Income I	US	BD	LUX	02/03	USD	8.48	0.6	25.6	6.1
Am Value A	US	EQ	LUX	02/03	USD	8.45	-0.9	20.5	-12.4
Am Value B	US	EQ	LUX	02/03	USD	7.77	-1.0	19.4	-13.3
Am Value C	US	EQ	LUX	02/03	USD	8.44	-1.1	19.9	-12.8
Am Value I	US	EQ	LUX	02/03	USD	9.10	-0.9	21.5	-11.7
Emg Mkts Debt A	GL	BD	LUX	02/03	USD	15.53	-0.2	41.3	7.3
Emg Mkts Debt A2	GL	BD	LUX	02/03	USD	20.19	0.4	42.2	7.7
Emg Mkts Debt AT	GL	BD	LUX	02/03	USD	15.58	-0.1	41.5	7.4
Emg Mkts Debt B	GL	BD	LUX	02/03	USD	15.53	-0.2	40.1	6.3
Emg Mkts Debt B2	GL	BD	LUX	02/03	USD	19.42	0.3	40.7	6.6
Emg Mkts Debt BT	GL	BD	LUX	02/03	USD	15.56	-0.1	40.1	6.3
Emg Mkts Debt C	GL	BD	LUX	02/03	USD	15.53	-0.2	40.7	6.9
Emg Mkts Debt C2	GL	BD	LUX	02/03	USD	19.83	0.4	41.5	7.2
Emg Mkts Debt I	GL	BD	LUX	02/03	USD	15.53	-0.2	41.9	7.9
Emg Mkts Growth A	GL	EQ	LUX	02/03	USD	32.93	-5.0	76.0	-11.9
Emg Mkts Growth B	GL	EQ	LUX	02/03	USD	27.89	-5.0	74.3	-12.8
Emg Mkts Growth C	GL	EQ	LUX	02/03	USD	28.54	-5.0	75.3	-12.3
Emg Mkts Growth I	GL	EQ	LUX	02/03	USD	36.54	-4.9	77.5	-11.2
Eur Growth A	OT	OT	LUX	02/03	USD	9.61	-1.6	26.7	-14.7
Eur Growth A	OT	OT	LUX	02/03	EUR	6.92	-1.6	26.7	-14.7
Eur Growth B	OT	OT	LUX	02/03	EUR	6.21	-1.7	25.5	-15.6
Eur Growth B	OT	OT	LUX	02/03	USD	8.62	-1.7	25.5	-15.6
Eur Growth C	EU	EQ	LUX	02/03	EUR	5.24	-1.7	26.3	-15.1
Eur Growth I	OT	OT	LUX	02/03	EUR	10.47	-1.7	27.6	-14.1
Eur Growth I	OT	OT	LUX	02/03	EUR	7.54	-1.7	27.6	-14.1
Eur Income A	OT	OT	LUX	02/03	EUR	6.71	1.7	41.1	5.7
Eur Income A	OT	OT	LUX	02/03	USD	9.32	1.7	41.1	5.7
Eur Income A2	OT	OT	LUX	02/03	EUR	13.17	2.3	42.1	6.0
Eur Income A2	OT	OT	LUX	02/03	USD	18.29	2.3	42.1	6.0
Eur Income AT	EU	BD	LUX	02/03	EUR	6.70	2.3	41.9	5.9
Eur Income B	OT	OT	LUX	02/03	EUR	6.71	1.7	40.4	5.0
Eur Income B	OT	OT	LUX	02/03	USD	9.32	1.7	40.4	5.0
Eur Income B2	OT	OT	LUX	02/03	EUR	12.24	2.3	41.0	5.2
Eur Income B2	OT	OT	LUX	02/03	USD	17.00	2.3	41.0	5.2
Eur Income BT	EU	BD	LUX	02/03	EUR	6.71	1.8	40.4	5.0
Eur Income C	OT	OT	LUX	02/03	EUR	6.71	1.7	40.6	5.2
Eur Income C	OT	OT	LUX	02/03	USD	9.32	1.7	40.6	5.2
Eur Income C2	OT	OT	LUX	02/03	USD	13.12	2.3	41.4	5.5
Eur Income C2	OT	OT	LUX	02/03	USD	18.22	2.3	41.4	5.5
Eur Income I	OT	OT	LUX	02/03	EUR	6.71	1.7	41.7	6.2
Eur Income I	OT	OT	LUX	02/03	USD	9.32	1.7	41.7	6.2
Eur Strat Value A	OT	OT	LUX	02/03	EUR	8.39	-1.6	28.3	-17.7
Eur Strat Value A	OT	OT	LUX	02/03	USD	11.65	-1.6	28.3	-17.7
Eur Strat Value I	OT	OT	LUX	02/03	EUR	8.59	-1.7	29.4	-17.1
Eur Strat Value I	OT	OT	LUX	02/03	USD	11.93	-1.7	29.4	-17.1
Eur Value A	OT	OT	LUX	02/03	EUR	8.98	-2.4	32.3	-14.8
Eur Value A	OT	OT	LUX	02/03	USD	12.47	-2.4	32.3	-14.8
Eur Value B	OT	OT	LUX	02/03	USD	11.46	-2.5	30.7	-15.7
Eur Value B	OT	OT	LUX	02/03	EUR	8.25	-2.5	30.7	-15.7
Eur Value C	OT	OT	LUX	02/03	USD	12.05	-2.4	31.5	-15.2
Eur Value C	OT	OT	LUX	02/03	EUR	8.68	-2.4	31.5	-15.2
Eur Value I	OT	OT	LUX	02/03	USD	14.41	-2.3	33.2	-14.1
Eur Value I	OT	OT	LUX	02/03	EUR	10.38	-2.3	33.2	-14.1
Gl Balanced (Euro) A	OT	OT	LUX	02/03	USD	15.83	-0.6	24.7	-9.8
Gl Balanced (Euro) B	OT	OT	LUX	02/03	USD	15.40	-0.7	23.4	-10.7
Gl Balanced (Euro) C	OT	OT	LUX	02/03	USD	15.71	-0.6	24.4	-10.1
Gl Balanced (Euro) I	OT	OT	LUX	02/03	USD	16.12	-0.6	NS	NS
Gl Balanced A	US	BA	LUX	02/03	USD	16.21	-1.6	29.1	-9.9
Gl Balanced B	US	BA	LUX	02/03	USD	15.40	-1.7	27.8	-10.8
Gl Balanced C	OT	OT	LUX	02/03	USD	15.97	-1.7	28.7	-10.2
Gl Balanced C	OT	OT	LUX	02/03	EUR	11.50	-1.7	28.7	-10.2
Gl Balanced I	US	BA	LUX	02/03	USD	16.82	-1.6	29.9	-9.3
Gl Bond A	US	BD	LUX	02/03	USD	9.33	1.0	15.3	4.3
Gl Bond A2	US	BD	LUX	02/03	USD	16.23	1.4	15.7	4.5
Gl Bond A2	OT	OT	NA	02/03	HKD	126.05	1.4	15.7	4.5
Gl Bond AT	OT	OT	LUX	02/03	HKD	72.38	1.1	15.3	4.3
Gl Bond AT	US	BD	LUX	02/03	USD	9.32	1.1	15.3	4.3
Gl Bond B	US	BD	LUX	02/03	USD	9.33	1.0	14.3	3.3
Gl Bond B2	US	BD	LUX	02/03	USD	14.20	1.3	14.5	3.5
Gl Bond B2	OT	OT	NA	02/03	HKD	110.28	1.3	14.5	3.5
Gl Bond BT	OT	OT	LUX	02/03	HKD	72.61	1.0	14.1	3.3
Gl Bond BT	US	BD	LUX	02/03	USD	9.35	1.0	14.1	3.3
Gl Bond C	US	BD	LUX	02/03	USD	9.33	1.0	14.8	3.9
Gl Bond C2	US	BD	LUX	02/03	USD	14.08	1.4	15.2	4.1
Gl Bond I	US	BD	LUX	02/03	USD	9.33	1.0	15.9	4.9
Gl Conservative A	US	BA	LUX	02/03	USD	14.83	-0.3	19.2	-3.7
Gl Conservative A2	US	BA	LUX	02/03	USD	16.88	-0.3	19.3	-3.7
Gl Conservative B	US	BA	LUX	02/03	USD	14.80	-0.4	18.0	-4.7
Gl Conservative B2	US	BA	LUX	02/03	USD	16.02	-0.4	18.1	-4.6
Gl Conservative C	US	BA	LUX	02/03	USD	14.81	-0.3	18.7	-4.1
Gl Conservative C2	US	BA	LUX	02/03	USD	16.50	-0.4	18.7	-4.1
Gl Conservative I	US	BA	LUX	02/03	USD	14.90	-0.3	20.3	-2.9
Gl Eq Blend A	GL	EQ	LUX	02/03	USD	11.24	-3.6	37.1	-19.9
Gl Eq Blend B	GL	EQ	LUX	02/03	USD	10.54	-3.7	35.6	-20.7
Gl Eq Blend C	GL	EQ	LUX	02/03	USD	11.04	-3.7	36.5	-20.3
Gl Eq Blend I	GL	EQ	LUX	02/03	USD	11.86	-3.6	38.1	-19.3
Gl Growth A	GL	EQ	LUX	02/03	USD	40.26	-3.9	33.2	-20.8
Gl Growth B	GL	EQ	LUX	02/03	USD	33.58	-4.0	31.9	-21.6
Gl Growth C	GL	EQ	LUX	02/03	USD	38.62	-4.0	32.6	-21.1
Gl Growth I	GL	EQ	LUX	02/03	USD	44.73	-3.9	34.3	-20.1
Gl High Yield A	US	BD	LUX	02/03	USD	4.37	0.9	56.3	5.6
Gl High Yield A2	US	BD	LUX	02/03	USD	9.42	1.7	57.8	5.9
Gl High Yield A2	OT	OT	NA	02/03	HKD	73.16	1.7	57.8	5.9
Gl High Yield AT	OT	OT	NA	02/03	HKD	33.63	1.8	58.0	5.9
Gl High Yield AT	US	BD	LUX	02/03	USD	4.33	1.8	58.0	5.9
Gl High Yield B	US	BD	LUX	02/03	USD	4.37	0.9	54.5	4.3
Gl High Yield B2	US	BD	LUX	02/03	USD	15.13	1.7	56.3	4.8
Gl High Yield B2	OT	OT	NA	02/03	HKD	117.50	1.7	56.3	4.8
Gl High Yield BT	OT	OT	NA	02/03	HKD	34.17	0.9	55.0	4.4
Gl High Yield BT	US	BD	LUX	02/03	USD	4.40	0.9	55.0	4.4
Gl High Yield C	US	BD	LUX	02/03	USD	4.37	0.9	55.6	5.0
Gl High Yield C2	US	BD	LUX	02/03	USD	13.96	1.7	57.2	5.4
Gl High Yield I	US	BD	LUX	02/03	USD	4.37	0.9	57.3	6.2
Gl Thematic Res. A	OT	OT	LUX	02/03	USD	14.21	-3.5	73.3	-0.8
Gl Thematic Res. B	OT	OT	LUX	02/03	USD	12.42	-3.6	71.5	-1.8
Gl Thematic Res. I	OT	OT	LUX	02/03	USD	15.85	-3.5	74.6	0.0
Gl Value A	GL	EQ	LUX	02/03	USD	10.78	-3.2	41.3	-19.1
Gl Value B	GL	EQ	LUX	02/03	USD	9.89	-3.4	39.9	-19.9
Gl Value C	GL	EQ	LUX	02/03	USD	10.47	-3.3	40.7	-19.5
Gl Value I	GL	EQ	LUX	02/03	USD	11.47	-3.2	42.5	-18.5
Greater China A	AS	EQ	LUX	02/03	USD	37.82	-5.5	58.2	-12.6
Greater China B	AS	EQ	LUX	02/03	USD	33.44	-5.6	56.6	-13.5
Greater China C	AS	EQ	LUX	02/03	USD	37.33	-5.5	57.4	-13.0
India Growth A	OT	OT	LUX	02/03	USD	123.36	-2.8	NS	NS
India Growth AX	OT	OT	LUX	02/03	USD	107.86	-2.8	87.3	-6.2
India Growth B	OT	OT	LUX	02/03	USD	129.11	-2.9	NS	NS
India Growth BX	OT	OT	LUX	02/03	USD	92.11	-2.9	85.4	-7.1
India Growth I	EA	EQ	LUX	02/03	USD	111.83	-2.7	88.1	-5.8
Int'l Health Care A	OT	EQ	LUX	02/03	USD	139.07	1.2	17.3	-5.8
Int'l Health Care B	OT	EQ	LUX	02/03	USD	117.19	1.1	16.1	-6.8
Int'l Health Care C	OT	EQ	LUX	02/03	USD	133.22	1.1	16.7	-6.3
Int'l Health Care I	OT	EQ	LUX	02/03	USD	152.05	1.2	18.2	-5.1
Int'l Technology A	OT	EQ	LUX	02/03	USD	103.73	-6.0	46.3	-7.7
Int'l Technology B	OT	EQ	LUX	02/03	USD	89.80	-6.1	44.9	-8.6
Int'l Technology C	OT	EQ	LUX	02/03	USD	100.20	-6.0	45.7	-8.1
Int'l Technology I	OT	EQ	LUX	02/03	USD	116.39	-5.9	47.5	-7.0
Japan Eq Blend A	JP	EQ	LUX	02/03	JPY	6017.00	-0.1	25.6	-18.9
Japan Eq Blend B	JP	EQ	LUX	02/03	JPY	5800.00	-0.2	24.3	-19.7
Japan Eq Blend C	JP	EQ	LUX	02/03	JPY	5918.00	-0.2	25.0	-19.3
Japan Growth A	JP	EQ	LUX	02/03	JPY	5753.00	-2.1	15.8	-20.1
Japan Growth B	JP	EQ	LUX	02/03	JPY	5547.00	-2.1	14.7	-20.9
Japan Growth C	JP	EQ	LUX	02/03	JPY	5659.00	-2.1	15.3	-20.4
Japan Strat Value A	JP	EQ	LUX	02/03	JPY	6234.00	1.9	35.4	-18.2
Japan Strat Value B	JP	EQ	LUX	02/03	JPY	6016.00	1.8	34.0	-19.0
Japan Strat Value C	JP	EQ	LUX	02/03	JPY	6127.00	1.8	34.7	-18.6
Real Estate Sec. A	OT	EQ	LUX	02/03	USD	13.76	-4.1	46.7	-15.8
Real Estate Sec. B	OT	EQ	LUX	02/03	USD	12.56	-4.3	45.0	-16.7
Real Estate Sec. I	OT	EQ	LUX	02/03	USD	14.79	-4.1	47.8	-15.2
Short Mat Dollar A	US	BD	LUX	02/03	USD	7.28	0.1	13.6	-5.3
Short Mat Dollar A2	US	BD	LUX	02/03	USD	9.84	0.5	14.0	-5.2
Short Mat Dollar AT	US	BD	LUX	02/03	USD	7.27	0.3	13.7	-5.3
Short Mat Dollar B	US	BD	LUX	02/03	USD	7.28	0.1	13.2	-5.7
Short Mat Dollar B2	US	BD	LUX	02/03	USD	9.79	0.5	13.6	-5.6
Short Mat Dollar BT	OT	OT	LUX	02/03	USD	7.28	0.1	NS	-6.0
Short Mat Dollar C	US	BD	LUX	02/03	USD	7.28	0.1	13.2	-5.7
Short Mat Dollar C2	US	BD	LUX	02/03	USD	13.84	0.5	13.5	-5.6
Short Mat Dollar I	US	BD	LUX	02/03	USD	7.28	0.1	14.2	-4.8

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	12/31	USD	1691.35	74.6	74.6	NS
CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	02/01	USD	101.90	1.9	23.8	21.4
PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	11/30	USD	96.31	14.7	11.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	11/30	USD	113.20	10.2	10.7	-29.6
Platinm-Emancipation	OT	OT	USA	11/30	USD	90.86	21.4	24.1	-9.4
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	11/30	SEK	612.68	12.3	10.4	-17.0
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	11/30	USD	57.51	NS	NS	-33.7
SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	02/02	USD	33.22	-18.5	-60.6	-14.5
Superfund GCT USD*	GL	EQ	LUX	02/02	USD	1943.00	-11.5	-51.2	-8.8
Superfund Green Gold A (SPC)	OT	OT	CYM	02/02	USD	893.00	-7.4	-26.8	-2.8
Superfund Green Gold B (SPC)	OT	OT	CYM	02/02	USD	824.61	-11.9	-41.9	-8.9
Superfund Q-AG*	OT	OT	AUT	02/02	EUR	6043.00	-8.7	-31.6	-2.3
WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4
ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	02/04	EUR	49.64	-4.8	38.3	-8.6
Industria AE	EU	EQ	DEU	02/04	EUR	70.52	-1.4	32.4	-13.5
InternRent AE	EU	BD	DEU	02/04	EUR	36.64	4.0	2.1	9.9
CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	AS	EQ	MUS	01/29	USD	272481.56	-0.7	107.7	7.0

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Markets dive on jobs, euro-zone debt fears

Continued from page 13

bring budgets under control.

"It is flight to quality," Kenneth Broux, financial markets economist at Lloyds TSB in London, said of the move into the dollar. Greece, Spain and Portugal "have to fund new debt issuance this year and the fear is that they won't be able to attract buyers because of imploding public finances and spiraling deficits. That may cause failed auctions and default on debt payments."

Wednesday, the Portuguese government sold only €300 million ($417 million) of Treasury bills at an auction, compared with an indicative offer of €500 million, fueling those worries. Meanwhile, Spain's government raised its budget deficit forecasts for 2010 through 2012.

Thursday, yields on Spanish and Portuguese bonds jumped, and the cost of insuring the debt of euro-zone members with large budget deficits against default rose, dashing hopes that the European Commission's qualified endorsement of Greece's budget plan on Wednesday would calm investor fears.

Investors demanded a premium of 1.72 percentage points over German debt to hold 10-year Portuguese bonds, up from 1.43 percentage point Wednesday. The premium has more than doubled since the end of 2009, when it stood at 0.68 percentage point.

The yield gap between German and Spanish bonds widened to 0.98 percentage point, from 0.87 percentage point on Wednesday, while the yield premium for Greek bonds held steady around 3.50 percentage point.

Among individual U.S. stocks, **Bank of America** tumbled 3.8% as the banking giant agreed to pay $150 million and strengthen its corporate governance and disclosure practices to settle Securities and Exchange Commission charges related to its deal with Merrill Lynch.

Alcoa skidded 4% as metals futures fell on concerns about demand and pressure from a stronger dollar.

Cisco gained 1% after the big maker of networking gear reported a 23% profit rise and said current-quarter sales may grow as much as 26%.

European stocks

Spanish, Portuguese and Greek stocks tumbled on the debt worries.

Madrid's IBEX-35 skidded 5.9% to 10241.7. Leveraged companies took a beating; **Ferrovial** dove 11%. Banking giant **Santander** dropped 9.4%.

Lisbon's PSI-20 index declined 5% to 7442.9, as banks there also were among the biggest losers. In Athens, the ASE general index fell 3.3% to 1951.70. **National Bank of Greece** skidded 7.2%

—Matt Whittaker, Min Zeng and Donna Kardos Yesalavich in New York and Bernd Radowitz and Santiago Perez in Madrid contributed to this article.

Japan yields hit three-month high

A Wall Street Journal Roundup

BOND MARKETS

TOKYO—Japanese government-bond yields rose again Thursday amid fresh signs of a U.S. economic recovery, reducing the appeal of safe-haven assets.

The benchmark 10-year yield gained 0.02 percentage point to 1.375% after trading as high as 1.38%, its highest level since Nov. 12.

Some pressure could come Friday from the Japanese government's issuance estimates for the coming fiscal years, announced after trading had ended Thursday. The forecast may fan fears about whether Japan can get its soaring public debt under control.

The government said it could sell 51.3 trillion yen ($563.86 billion) of debt in the fiscal year that begins in April, followed by 52.2 trillion yen in the fiscal year that ends in March 2012 and 55.3 trillion yen in the fiscal year ending in March 2013, as social welfare payments and debt-servicing expenses rise.

Among Asian corporate borrowers, Hong Kong-based property developer **New World Development** Ltd. sold a 10-year bond, raising $500 million, a person familiar with the deal said Thursday.

The company late Wednesday priced its February 2020 bond at par, paying a coupon of 7% and yielding 3.321 percentage points above comparable U.S. Treasurys.

Toyota vehicle recall pressures Tokyo shares

By Shri Navaratnam And Kirsty Green

ASIAN-PACIFIC STOCKS

Japanese shares declined Thursday amid deepening fears about **Toyota Motor**'s vehicle recall, as most Asian stock markets ended lower.

Toyota fell 3.5% on concerns over the impact of its large-scale vehicle recall in the U.S. and Europe. U.S. Transportation Secretary Ray LaHood's comments Wednesday that his agency was widening its probe of sudden acceleration complaints in Toyota vehicles, and fresh troubles reported over the brakes of the Prius hybrid, hurt sentiment.

Japan's Nikkei Stock Average of 225 companies lost 0.5% to 10355.98, Australia's S&P/ASX 200 fell 0.6% to 4621.6, China's Shanghai Composite slipped 0.3% to 2995.31, and Hong Kong's Hang Seng Index gave up 1.8% to 20341.64.

At the end of trading in Tokyo, Toyota said it swung back to profitability in the quarter ended Dec. 31, with net income coming in at a higher-than-expected 153.2 billion yen ($1.68 billion) from a loss in the year-earlier period. **Sony** shares fell 2.2%, before the electronics giant also reported a better-than-expected quarterly profit of 79.2 billion yen, and cut its full-year loss outlook.

Honda Motor advanced 2.6% after it posted strong third-quarter profits Wednesday and raised its fiscal-year guidance.

Hong Kong shares declined as investors locked in profits after stocks rose in the previous three sessions. Brokerage house Taifook said a better-than-expected U.S. jobs report Friday could lift the mood.

Energy producer **Cnooc** slid 2%, taking a breather after its 9.4% rise Wednesday in the wake of its aggressive forecast of a 22% to 27% growth in 2010 production. **Esprit** ended 0.4% lower in the downbeat market, although its first-half results announced Wednesday beat analysts' expectations.

Chinese shares in Shanghai also drifted lower, with **Bank of China** dropping 0.5% and **China Merchants Bank** falling 0.9%.

The Australian market was pulled down as materials stocks tracked their U.S. peers lower. **BHP Billiton** lost 1.2% and **Rio Tinto** fell 2.6%. In the energy sector, **Karoon Gas Australia** tumbled 11% after disappointing drilling results.

Resource stocks fell around the region. **Aluminum Corp. of China** slid 3.7% in Hong Kong, **Sumitomo Metal Mining** shed 1.6% in Tokyo and **Hindalco Industries** eased 3.9% in Mumbai.

Indian energy sector stocks advanced, however, after a government-appointed panel recommended reforms that would potentially reduce subsidies on petroleum products and boost their profits. Shares of exploration company **Oil & Natural Gas** climbed 0.5%, while among refiners, **Indian Oil** climbed 1.9% and **Bharat Petroleum** gained 1.7%.

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GAM

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/29	USD	1281.74	3.1	26.0	-6.3
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	02/01	JPY	14022.33	-9.7	59.1	2.5
GAM Asia Equity Hedge US	OT	OT	VGB	02/01	USD	261.70	-9.9	59.8	3.9
GAM Asia Equity USD	OT	OT	VGB	02/03	USD	614.88	-6.0	66.6	-9.1
GAM Asia-Pacific Eq USD	OT	OT	VGB	02/02	USD	1276.23	-0.5	28.0	-12.3
GAM Com Glb Bal EUR Op	US	BA	VGB	01/25	EUR	95.68	0.6	18.4	-5.6
GAM Com Glb Bal USD Op	US	BA	VGB	01/25	USD	128.59	0.6	18.4	-5.6
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/25	EUR	97.61	-0.3	27.8	-10.6
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/25	USD	127.11	-0.3	27.8	-10.6
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/25	EUR	86.28	0.0	20.1	-8.6
GAM Comp Glb Gr USD Op	US	BA	VGB	01/25	USD	127.02	0.0	20.1	-8.6
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/29	USD	233.71	-6.0	36.8	-9.1
GAM Cross Trading Inc	OT	OT	VGB	01/25	USD	464.84	-0.2	4.2	NS
GAM Diversity CHF Op	OT	OT	VGB	01/25	CHF	94.03	-0.3	3.5	-6.1
GAM Diversity EUR Op	OT	OT	VGB	01/25	EUR	646.74	-0.3	4.2	-4.6
GAM Diversity USD 2.5XL	OT	OT	VGB	01/25	USD	77.68	-0.8	7.2	-17.3
GAM Diversity USD Op	OT	OT	VGB	01/25	USD	679.27	-0.2	4.1	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	01/25	CHF	99.13	-0.4	2.8	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	01/25	EUR	138.30	-0.3	3.5	-4.8
GAM Dvrsty II USD Op	OT	OT	VGB	01/25	USD	209.47	-0.3	3.4	-5.1
GAM DvrstyIII EUR Op	OT	OT	VGB	01/25	EUR	115.14	-0.4	3.5	-5.0
GAM DvrstyIII USD Op	OT	OT	VGB	01/25	USD	121.58	-0.3	3.7	-5.1
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	02/01	EUR	220.65	0.8	12.9	-2.7
GAM Euro Eq Hdg USD Op	OT	OT	VGB	02/01	USD	204.82	0.7	14.0	-1.2
GAM European Equity USD	OT	OT	VGB	02/02	USD	282.12	-3.8	39.3	-12.0
GAM GAMCO	OT	EQ	VGB	01/29	USD	770.51	-5.0	38.3	-9.9
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	02/01	EUR	97.35	-0.5	13.8	-14.8
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	02/01	USD	102.72	-0.4	14.3	-14.1
GAM Gbl Divers USD Inc.	GL	EQ	VGB	02/01	USD	252.25	1.0	35.2	-4.4
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	02/01	USD	258.13	-10.0	95.3	15.1
GAM Intrst Trend II	GL	BD	VGB	01/29	USD	102.96	9.4	60.6	-4.7
GAM Intrst Trend Inc	OT	OT	VGB	01/29	USD	274.21	9.0	76.3	-2.6
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	02/01	EUR	121.44	4.1	10.8	-2.6
GAM Japan Eq Hdg USD Op	OT	OT	VGB	02/01	USD	125.40	2.8	16.4	-15.7
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	02/01	JPY	8634.94	2.7	16.7	-14.7
GAM Japan USD	JP	EQ	VGB	02/03	USD	1139.79	3.4	22.0	-12.6
GAM Japan YEN	JP	EQ	VGB	02/03	JPY	9037.66	2.4	26.2	-18.0
GAM Money Mkt EuroOp	EU	MM	VGB	02/02	EUR	51.15	0.1	0.2	1.5
GAM Money Mkt USD	US	MM	VGB	02/02	USD	100.01	0.1	0.0	0.7
GAM Multi-Arb EUR Op	OT	OT	VGB	01/25	EUR	111.96	0.7	0.4	-8.8
GAM Multi-Arb USD Op	OT	OT	VGB	01/25	USD	116.87	0.7	0.6	-9.1
GAM Multi-China EUR Op	OT	OT	VGB	01/25	EUR	166.22	-1.0	10.7	-6.7
GAM Multi-China USD Op	OT	OT	VGB	01/25	USD	174.77	-1.0	11.2	-7.4
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/25	GBP	131.06	-0.3	24.2	-0.3
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/25	USD	648.52	-0.4	24.2	-0.8
GAM Multi-Eur EUR Op	OT	OT	VGB	01/25	EUR	268.50	-0.1	6.0	-6.6
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/25	EUR	138.15	-0.1	6.2	-6.7
GAM Multi-Eur II USD Op	OT	OT	VGB	01/25	USD	112.93	-0.1	5.9	-7.7
GAM Multi-Eur USD Op	OT	OT	VGB	01/25	USD	467.05	-0.1	5.7	-7.6
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/25	EUR	133.91	-0.1	10.0	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/25	USD	217.96	-0.1	10.9	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/25	EUR	142.60	-0.6	3.4	-2.8
GAM Multi-Pac USD Op	OT	OT	VGB	01/25	USD	164.50	-0.6	3.6	-3.2
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/29	USD	2661.43	0.9	63.5	11.4
GAM Sing/Malaysia	AS	EQ	VGB	02/03	USD	2411.62	-4.5	56.7	-8.3
GAM Sterling Spe Bd Inc	OT	OT	VGB	02/01	GBP	238.93	3.9	47.8	5.1
GAM Trading EUR Inc	OT	OT	VGB	01/25	EUR	324.42	-0.2	4.3	5.5
GAM Trading USD Inc	OT	OT	VGB	01/25	USD	970.94	-0.2	4.6	4.8
GAM Trdg II IncEUR Op	OT	OT	VGB	01/25	EUR	138.76	-0.2	4.2	5.4
GAM Trdg II IncUSD Op	OT	OT	VGB	01/25	USD	315.27	-0.2	4.6	4.9
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/25	EUR	146.44	-0.2	4.0	5.1
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/25	USD	154.19	-0.2	4.4	4.7
GAM Trdg V IncEUR Op	OT	OT	VGB	01/25	EUR	124.15	-0.2	3.3	5.0
GAM Trdg V IncUSD Op	OT	OT	VGB	01/25	USD	129.32	-0.2	3.8	4.7
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/25	EUR	156.63	-0.2	4.1	5.2
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/25	USD	162.16	-0.2	4.4	4.8
GAM USDSpecBondInc	US	BD	VGB	02/01	USD	556.65	5.0	81.7	8.9
GAM Worldwide	GL	EQ	VGB	02/02	USD	2145.31	-3.6	38.8	-9.5
GAMut Investments	OT	OT	VGB	01/27	USD	7613.75	0.4	2.2	7.8

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	02/02	CHF	10.30	-6.7	45.9	-11.9
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	02/02	EUR	11.19	-6.0	50.1	-7.0
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	02/02	GBP	1.45	-7.3	45.8	0.3
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	02/02	USD	12.29	-8.4	63.9	-9.4
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	02/02	EUR	102.62	1.5	23.6	-9.6
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	02/02	EUR	99.32	1.5	23.6	-9.6
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	02/02	EUR	10.85	-1.3	30.6	-6.8
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	02/02	EUR	180.83	-1.2	29.6	-9.6
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	02/02	EUR	165.24	-1.2	29.6	-9.6
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	02/02	USD	15.41	-3.7	41.4	-11.9
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	02/02	USD	13.97	-3.7	41.3	-11.9
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	02/02	USD	5.42	-1.1	39.5	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	02/02	EUR	92.39	5.0	16.5	-7.9
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	02/02	EUR	92.40	5.0	16.5	-7.9
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	02/02	JPY	942.26	2.3	26.3	-17.7
GAMStar-JpnEq USD Acc	JP	EQ	IRL	02/02	USD	11.51	3.5	21.7	-12.5
GAMStar-World EqUSD Acc	GL	EQ	IRL	02/02	USD	2159.70	-3.5	39.7	-9.0

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American Growth	US	EQ	LUX	02/04	USD	14.87	-2.1	31.1	-10.3
American Growth AA	US	EQ	LUX	02/04	USD	0.86	-2.1	30.8	-7.2
Asian Equity	AS	EQ	LUX	02/04	USD	2.31	-5.0	67.9	-7.4
Asian Equity AA	AS	EQ	LUX	02/04	USD	0.74	-5.0	67.3	-7.7
Asian Sm Cap Equity AA	AS	EQ	LUX	02/04	USD	1.13	-1.9	97.3	-2.0
China Value A	AS	EQ	LUX	02/04	USD	6.60	-6.0	64.7	-3.6
China Value AA	AS	EQ	LUX	02/04	USD	2.07	-6.0	64.3	-3.9
Dragon Growth	AS	EQ	LUX	02/04	USD	1.53	-5.3	67.8	-7.2
Dragon Growth AA	OT	OT	LUX	02/04	HKD	7.47	-5.1	67.6	-8.1
Emg Eastrn Europe A	EU	EQ	LUX	02/04	USD	4.66	4.7	139.3	-11.7
Emg Eastrn Europe AA	EU	EQ	LUX	02/04	USD	2.01	4.6	138.9	-11.9
European Growth	EU	EQ	LUX	02/04	USD	8.65	-3.0	62.5	-15.6
European Growth AA	EU	EQ	LUX	02/04	USD	0.62	-3.0	62.2	-15.8
Global Contrarain AA	GL	EQ	LUX	02/04	USD	0.90	3.2	98.0	NS
Global Property AA	OT	EQ	LUX	02/04	USD	0.65	-2.5	61.6	-12.4
Global Resources AA	OT	EQ	LUX	02/04	USD	1.02	-4.0	50.9	-13.4
Healthcare AA	OT	EQ	LUX	02/04	USD	0.94	0.9	16.8	NS
India Equity AA	EA	EQ	LUX	02/04	USD	1.03	-4.3	80.8	-15.1
International Growth	GL	EQ	LUX	02/04	USD	2.96	-1.5	31.0	-13.3
International Growth AA	GL	EQ	LUX	02/04	USD	0.69	-1.6	30.6	-13.5
Japanese Growth	JP	EQ	LUX	02/04	USD	2.77	1.7	19.6	-10.8
Japanese Growth AA	JP	EQ	LUX	02/04	USD	0.73	2.4	20.1	-10.7
Latin America Equity AA	GL	EQ	LUX	02/04	USD	1.20	-5.0	98.2	-3.4
Manulife GF Strategic Income Fund AA	OT	OT	NA	02/04	USD	1.01	0.6	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	02/04	USD	1.11	-1.4	NS	NS
Russia Equity AA	EE	EQ	LUX	02/04	USD	0.67	11.1	190.7	-15.8
Taiwan Equity AA	AS	EQ	LUX	02/04	USD	0.99	-7.8	85.9	1.7
Turkey Equity AA	EE	EQ	LUX	02/04	USD	0.80	7.6	151.0	-0.4
U.S. Bond AA	US	BD	LUX	02/04	USD	1.12	1.6	18.3	7.4
U.S. Sm Cap Equity AA	US	EQ	LUX	02/04	USD	0.84	3.5	74.6	-8.5
U.S. Special Opportunities	OT	OT	LUX	02/04	USD	0.85	5.1	95.2	4.2
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	02/04	USD	1.15	1.2	9.3	1.8

■ PT CIPTADANA ASSET MANAGEMENT
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	01/27	USD	127.58	0.2	121.1	2.5

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	02/03	USD	7.85	-2.1	93.8	-2.6

SOCIETE GENERALE Asset Management

■ SG ASSET MANAGEMENT (HK) LTD
Hotline in Hong Kong 2166 5099
A company of Amundi Group
www.sgam.com

Bonds Eur Hi Yld A	OT	OT	LUX	02/02	EUR	21.17	2.9	53.5	3.2
Bonds EURO A	OT	OT	LUX	02/02	EUR	41.25	0.5	5.6	4.4
Bonds EUROPE A	OT	OT	LUX	02/03	EUR	39.39	0.7	5.1	4.0
Bonds US OppsCoreplus A	OT	OT	LUX	02/02	USD	37.50	1.6	15.8	8.0
Bonds World A	OT	OT	LUX	02/03	USD	41.69	-0.7	8.8	3.8
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	02/03	USD	9.84	-5.6	71.6	-9.6
Eq. China A	AS	EQ	LUX	02/03	USD	22.34	-7.4	65.6	-9.2
Eq. Concentrated Euroland A	OT	OT	LUX	02/03	EUR	89.57	-3.6	21.5	-16.2
Eq. ConcentratedEuropeA	EU	EQ	LUX	02/03	EUR	26.48	-2.0	35.3	-14.8
Eq. Emerging Europe A	OT	OT	LUX	02/03	EUR	25.13	6.7	119.3	-18.6
Eq. Euroland A	EU	EQ	LUX	02/03	EUR	10.43	-3.6	21.8	-17.1
Eq. Euroland Small Cap A	OT	OT	LUX	02/02	EUR	143.79	1.9	46.2	-6.2
Eq. EurolandCyclicIsA	EU	EQ	LUX	02/02	EUR	17.69	-0.6	36.9	-11.1
Eq. EurolandFinancialA	OT	EQ	LUX	02/03	EUR	10.61	-6.2	43.3	-19.4
Eq. Glbl Emg Cty A	GL	EQ	LUX	02/03	USD	9.01	-6.9	66.7	-14.4
Eq. Global A	GL	EQ	LUX	02/03	USD	27.18	-2.4	37.6	-11.5
Eq. Global Energy A	OT	OT	LUX	02/03	USD	17.66	-2.6	28.3	-12.1
Eq. Global Resources A	OT	OT	LUX	02/03	USD	102.68	-6.0	49.0	-12.9
Eq. Gold Mines A	OT	EQ	LUX	02/03	USD	28.12	-7.2	36.9	-6.4
Eq. India A	OT	OT	LUX	02/03	USD	125.18	-4.3	80.1	-15.4
Eq. Japan CoreAlpha A	OT	OT	LUX	02/03	JPY	7568.44	4.3	38.4	-7.4
Eq. Latin America A	OT	OT	LUX	02/02	USD	108.89	-6.3	79.4	-11.8
Eq. US Lg Cap Gr A	US	EQ	LUX	02/02	USD	14.72	-3.5	37.8	-10.4
Eq. US Rel Val A	US	EQ	LUX	02/02	USD	20.47	-0.6	42.4	-14.0
Eq. US Sm Cap Val A	US	EQ	LUX	02/03	USD	15.55	-2.5	31.5	-18.7
Money Market EURO A	EU	MM	LUX	02/02	EUR	27.40	0.0	0.8	2.5
Money Market USD A	US	MM	LUX	02/02	USD	15.83	0.0	0.4	1.5

The National Investor

■ THE NATIONAL INVESTOR
TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	01/28	USD	912.91	-5.0	4.3	-31.2
TNI MENA Special Sits Fund	OT	OT	BMU	12/31	USD	1079.31	11.2	11.2	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	01/28	AED	4.88	-8.4	24.4	-34.3

Value Partners
Investing through discipline

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487
**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	01/29	USD	28.14	-5.7	85.5	2.1
Intel-China Converg*	AS	EQ	CYM	01/29	USD	107.04	-6.1	85.8	1.1
VP Classic - A	AS	EQ	CYM	02/03	USD	180.99	-2.9	83.4	3.7
VP Classic - B	AS	EQ	CYM	02/03	USD	84.32	-3.0	82.6	3.2
VP High Dividend Stk	AS	EQ	CYM	02/01	USD	43.91	-3.3	82.2	4.7

yuki
Yuki Management & Research
Tel +81-3-5299-3277 www.yukijapan.co.jp

■ YUKI INTERNATIONAL LIMITED
Tel +44-207-269 0203 www.yukifunds.com

■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	02/04	JPY	9222.00	-1.6	23.6	-19.1
YMR-N Small Cap Fund	OT	OT	IRL	02/04	JPY	6871.00	-1.8	20.1	-18.8

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	02/04	JPY	5938.00	-3.5	9.6	-24.1
Yuki 77 Growth	JP	EQ	IRL	02/04	JPY	5419.00	-4.0	4.9	-28.0

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	02/04	JPY	6713.00	-1.7	17.7	-19.7
Yuki Chugoku JpnLowP	JP	EQ	IRL	02/04	JPY	7635.00	1.2	5.8	-19.3

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	02/04	JPY	4577.00	-2.1	12.0	-23.8
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	02/04	JPY	5226.00	-0.4	11.3	-18.2
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	02/04	JPY	4991.00	-2.2	16.6	-19.4

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	02/04	JPY	4276.00	-3.3	13.2	-27.9
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	02/04	JPY	4493.00	-3.7	12.5	-28.1
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	02/04	JPY	6722.00	-3.6	22.9	-22.3
Yuki Mizuho Jpn Gen	OT	OT	IRL	02/04	JPY	8321.00	-3.4	17.4	-20.8
Yuki Mizuho Jpn Gro	OT	OT	IRL	02/04	JPY	6154.00	-3.2	11.5	-22.8
Yuki Mizuho Jpn Inc	OT	OT	IRL	02/04	JPY	7593.00	-0.5	4.5	-20.3
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	02/04	JPY	5084.00	-2.0	15.9	-21.7
Yuki Mizuho Jpn LowP	OT	OT	IRL	02/04	JPY	11572.00	0.1	15.8	-15.8
Yuki Mizuho Jpn PGth	OT	OT	IRL	02/04	JPY	7705.00	-3.2	12.5	-25.3
Yuki Mizuho Jpn SmCp	OT	OT	IRL	02/04	JPY	6964.00	-2.4	23.0	-20.4
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	02/04	JPY	5585.00	-1.1	17.4	-18.4
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	02/04	JPY	2582.00	-5.3	15.1	-26.9

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	02/04	JPY	5269.00	-2.8	17.0	-21.4

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Sweden	-1.56%	0.7%	56.2%
Japan	-0.76	0.1	17.5
Turkey	-3.06	-0.5%	98.7
Netherlands	-2.23	-1.0	37.3
Russia	-3.01	-2.0	107.7
Switzerland	-1.91	-2.5	31.1
South Africa	-2.19	-4.1	26.9
U.K.	-1.63	-4.6	21.8
South Korea	-0.05	-4.7	38.6
Australia	-0.50	-5.1	32.7
Singapore	-0.58	-5.4	63.0
Canada	-1.58	-5.7	22.5
Italy	-1.90	-5.9	24.2
France	-2.00	-5.9	22.5
Germany	-1.71	-6.8	18.1
Hong Kong	-1.82	-7.0	48.4
Spain	-4.58	-10.8	13.7
China 88	-0.56	-11.1	39.4
Brazil	-3.32	-12.4	63.9

Dow Jones Regional Sector Titans

Nordic 30 -p	0.25%	4.3%	41.4%
EU Enlarged†-p	-0.64	2.3	68.9
Travel Leisure	-0.96	1.9	30.7
Arab 50	0.08	1.6	28.9
Pers H'hold Gds	-1.38	0.8	31.8
Asian 50	-1.09	-3.0%	37.4
Stoxx 50 -p	-0.65	-3.5	23.7
Global 50	-0.42	-4.2	26.5
Euro Stoxx 50 -p	-0.90	-5.4	22.1
Tiger 50*	-1.15	-6.1	60.1

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Thursday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Hutchison Whampoa	Hong Kong	Diversified Industrials	$31.1	56.70	2.90%	49.2%	-29.2%
Honda Motor	Japan	Automobiles	65.0	3,220	2.55	48.4	-31.6
Tokyo Elec Power	Japan	Conventional Electricity	37.0	2,476	1.81	-10.8	-41.6
Kansai Elec Power	Japan	Conventional Electricity	22.2	2,105	1.45	-9.7	-43.1
NTT DoCoMo	Japan	Mobile Telecomms	66.2	143,600	1.41	-5.0	-33.2
Toyota Motor	Japan	Automobiles	$114.1	3,280	-3.53%	7.9	-59.0
KB Fncl Group	South Korea	Banks	16.9	50,400	-3.26	52.5	-36.5
Mitsubishi UFJ Finl	Japan	Banks	71.0	462.00	-2.74	-3.1	-67.0
Mitsubishi	Japan	Industrial Suppliers	39.7	2,190	-2.67	61.7	-11.0
Nippon T&T	Japan	Fixed Line Telecomms	56.6	3,875	-2.64	-8.4	-41.6

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Nissan Motor Japan (Automobiles)	34.3	763.00	1.06%	172.5%	-43.9%
Seven I Hldgs Japan (Broadline Retailers)	20.2	2,028	0.90	-15.5	-44.0
Canon Japan (Electronic Office Equipment)	50.2	3,680	0.55	50.8	-40.4
Woolworths Australia (Food Retailers Wholesalers)	27.7	25.77	0.51	-7.1	1.3
KDDI Japan (Mobile Telecommunications)	24.0	491,000	0.51	-5.6	-46.9
Takeda Pharm Japan (Pharmaceuticals)	35.5	4,075	0.37	1.1	-49.3
Westfield Grp Australia (Retail REITs)	26.1	12.94	0.31	25.2	-43.4
Nintendo Japan (Toys)	35.7	25,270	0.20	-7.0	-25.6
Shinhan Financial Grp South Korea (Banks)	17.9	43,250	0.12	59.8	-18.2
Shin-Etsu Chml Japan (Specialty Chemicals)	23.1	4,920	0.10	12.3	-35.1
National Australia Bk Australia (Banks)	47.4	25.87	-0.12	38.8	-36.9
Samsung Elec South Korea (Semiconductors)	99.8	776,000	-0.13	48.9	33.6
JFE Hldgs Japan (Iron Steel)	18.9	3,240	-0.15	26.1	-52.4
Tokio Marine Hldgs Japan (Property Casualty Insurance)	21.7	2,499	-0.36	7.0	-42.4
Mitsui Japan (Industrial Suppliers)	27.1	1,353	-0.37	29.5	-28.9
East Japan Railway Japan (Travel Tourism)	26.9	6,150	-0.65	6.2	-30.9
Commonwlth Bk of Aus Australia (Banks)	70.3	52.95	-0.86	82.7	4.0
Japan Tobacco Japan (Tobacco)	35.6	335,500	-0.89	40.6	-41.8
Woodside Petroleum Australia (Exploration Production)	27.1	43.20	-0.92	33.5	18.3
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	36.4	136.50	-1.09	159.5	-7.2

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	47.8	59.10	-1.17%	40.1%	-12.3%
BHP Billiton Australia (General Mining)	120.2	40.99	-1.23	29.6	48.1
QBE Ins Grp Australia (Reinsurance)	20.4	22.78	-1.39	-0.0	-24.5
Westpac Bking Australia (Banks)	58.8	23.13	-1.45	44.4	-9.3
Aus NZ Bk Australia (Banks)	46.9	21.42	-1.61	73.6	-27.5
Mizuho Financial Grp Japan (Banks)	27.2	175.00	-1.69	-20.8	-78.9
China Life Ins Hong Kong (Life Insurance)	32.7	34.15	-1.73	50.8	41.7
Cheung Kong Hong Kong (Real Estate Holding Development)	27.7	93.00	-1.74	44.0	-12.3
China Constr Bk Hong Kong (Banks)	173.2	5.99	-1.80	50.1	22.5
CNOOC Hong Kong (Exploration Production)	69.5	12.08	-1.95	74.6	83.9
POSCO South Korea (Iron Steel)	36.2	547,000	-1.97	43.6	59.0
Sumitomo Mitsui Finl Japan (Banks)	42.7	2,867	-2.05	-18.6	-74.4
Nippon Steel Japan (Iron Steel)	22.7	326.00	-2.10	16.4	-54.3
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	33.7	102.00	-2.11	62.2	3.2
Sony Japan (Consumer Electronics)	33.9	3,075	-2.23	68.5	-47.4
PetroChina Hong Kong (Integrated Oil Gas)	24.2	8.92	-2.30	48.2	-7.8
Panasonic Japan (Consumer Electronics)	32.8	1,436	-2.31	30.7	-38.4
Indl Comm Bk China Hong Kong (Banks)	60.8	5.69	-2.40	63.0	21.1
China Mobile (HK) Hong Kong (Mobile Telecommunications)	190.9	74.60	-2.48	3.3	-3.2
RioZim Ltd Australia (General Mining)	37.2	70.12	-2.61	87.4	17.1

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-1.44%	-1.51%	0.0%	-1.5%	5.1%
Event Driven	-1.41	-0.78	1.1	-0.8	13.6
Equity Long/Short	0.09	0.33	2.9	0.3	3.3

*Estimates as of 02/02/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.81	100.86%	0.01%	1.00	0.65	0.82
Eur. High Volatility: 12/1	1.14	99.37	0.01	1.76	0.92	1.30
Europe Crossover: 12/1	4.42	102.30	0.05	6.15	3.79	4.96
Asia ex-Japan IG: 12/1	1.13	99.43	0.01	1.29	0.87	1.05
Japan: 12/1	1.44	97.96	0.01	1.68	0.99	1.33

Note: Data as of February 3

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Acom	283	**-13**	5	48
Nomura Secs	150	**-11**	-5	-2
Taiheiyo Cem	476	**-10**	-23	-77
Woori Bk	139	**-7**	2	30
Hana Bank	124	**-6**	1	22
Suzuki Mtr	76	**-6**	2	7
SK Energy	124	**-6**	3	21
Rep Philippines	187	**-5**	-2	22
Rep Indonesia	190	**-5**	-5	4
Samsung Electrs	74	**-5**	-1	13

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Mitsui OSK Lines	109	**2**	4	-21
Expt Import Bk of China	123	**2**	5	14
Swire Pac	83	**4**	4	14
Mitsubishi Matls	109	**4**	7	6
China Dev Bk	122	**4**	6	16
Daiwa Secs Gp	133	**4**	2	6
Tokyo Elec Pwr	39	**5**	5	8
Tobu Rwy	69	**6**	6	5
China Constr Bk	136	**7**	14	1
Nec Electrs	242	**18**	17	9

Source: Markit Group

Behind Asia's deals: Bank revenue rankings, Asia (ex Japan)

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
UBS	$346	6.2%	69%	14%	17%	...
Morgan Stanley	278	5.0	75	7	17	...
Credit Suisse	260	4.7	70	9	20	1%
JPMorgan	238	4.3	80	10	10	1
China International Capital Corp Ltd	233	4.2	80	13	7	...
CITIC Securities	223	4.0	79	16	4	...
Goldman Sachs	212	3.8	74	6	19	...
Citi	182	3.3	67	16	14	3
Deutsche Bank	180	3.3	60	21	18	2

Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

	Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
	Corn (cents/bu.)	CBOT	**351.25**	-1.75	**-0.50%**	712.25	315.50
	Soybeans (cents/bu.)	CBOT	**909.00**	1.00	**0.11%**	1,560.00	805.00
	Wheat (cents/bu.)	CBOT	**470.50**	1.50	**0.32**	1,029.25	459.00
	Live cattle (cents/lb.)	CME	**90.100**	0.225	**0.25**	95.175	85.050
	Cocoa ($/ton)	ICE-US	**3,138**	-42	**-1.32**	3,514	2,066
	Coffee (cents/lb.)	ICE-US	**131.50**	-1.50	**-1.13**	188.65	115.00
	Sugar (cents/lb.)	ICE-US	**28.34**	-0.24	**-0.84**	30.40	11.91
	Cotton (cents/lb.)	ICE-US	**69.15**	-0.67	**-0.96**	84.00	49.67
	Crude palm oil (ringgit/ton)	MDEX	**2,510.00**	12	**0.48**	2,743	2,150
	Cocoa (pounds/ton)	LIFFE	**2,250**	7	**0.31**	2,350	1,310
	Robusta coffee ($/ton)	LIFFE	**1,310**	-14	**-1.06**	1,710	1,300
	Copper (cents/lb.)	COMEX	**290.40**	-6.95	**-2.34**	365.00	135.50
	Gold ($/troy oz.)	COMEX	**1072.80**	-38.60	**-3.47**	1,229.00	785.10
	Silver (cents/troy oz.)	COMEX	**1605.00**	-26.70	**-1.64**	2,011.50	1,045.00
	Aluminum ($/ton)	LME	**2,077.00**	-41.00	**-1.94**	2,356.50	1,288.00
	Tin ($/ton)	LME	**16,630.00**	55.00	**0.33**	18,250.00	9,945.00
	Copper ($/ton)	LME	**6,589.50**	-281.50	**-4.10**	7,695.00	3,171.00
	Lead ($/ton)	LME	**2,015.00**	-105.00	**-4.95**	2,615.00	995.00
	Zinc ($/ton)	LME	**2,095.00**	-81.00	**-3.72**	2,659.00	1,086.00
	Nickel ($/ton)	LME	**18,325**	130	**0.71**	21,150	9,475
	Crude oil ($/bbl.)	NYMEX	**74.69**	-2.29	**-2.97**	141.30	48.78
	Heating oil ($/gal.)	NYMEX	**1.9674**	-0.0520	**-2.58**	3.5280	1.3800
	RBOB gasoline ($/gal.)	NYMEX	**1.9840**	-0.0522	**-2.56**	2.2003	1.2176
	Natural gas ($/mmBtu)	NYMEX	**5.320**	-0.099	**-1.83**	12.590	4.550
	Brent crude ($/bbl.)	ICE-EU	**74.24**	-2.15	**-2.81**	83.58	51.55
	Gas oil ($/ton)	ICE-EU	**603.25**	-20.75	**-3.33**	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Feb. 4

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.2953	0.1888	3.8425	0.2602
Brazil real	2.5977	0.3850	1.8850	0.5305
Canada dollar	1.4746	0.6782	1.0700	0.9346
1-mo. forward	1.4746	0.6781	1.0700	0.9345
3-mos. forward	1.4747	0.6781	1.0701	0.9345
6-mos. forward	1.4749	0.6780	1.0703	0.9344
Chile peso	746.45	0.001340	541.65	0.001846
Colombia peso	2734.91	0.0003656	1984.55	0.0005039
Ecuador US dollar-f	1.3781	0.7256	1	1
Mexico peso-a	17.9888	0.0556	13.0534	0.0766
Peru sol	3.9407	0.2538	2.8595	0.3497
Uruguay peso-e	26.942	0.0371	19.550	0.0512
U.S. dollar	1.3781	0.7256	1	1
Venezuela bolivar	5.92	0.168963	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5811	0.6325	1.1473	0.8716
China yuan	9.4081	0.1063	6.8269	0.1465
Hong Kong dollar	10.7061	0.0934	7.7688	0.1287
India rupee	63.7440	0.0157	46.2550	0.0216
Indonesia rupiah	12844	0.0000779	9320	0.0001073
Japan yen	124.51	0.008031	90.35	0.011068
1-mo. forward	124.50	0.008032	90.34	0.011069
3-mos. forward	124.46	0.008035	90.31	0.011072
6-mos. forward	124.39	0.008040	90.26	0.011079
Malaysia ringgit-c	4.7145	0.2121	3.4210	0.2923
New Zealand dollar	1.9944	0.5014	1.4472	0.6910
Pakistan rupee	117.138	0.0085	85.000	0.0118
Philippines peso	63.634	0.0157	46.175	0.0217
Singapore dollar	1.9544	0.5117	1.4182	0.7051
South Korea won	1583.02	0.0006317	1148.70	0.0008706
Taiwan dollar	44.137	0.02266	32.028	0.03122
Thailand baht	45.650	0.02191	33.125	0.03019

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7256	1.3781
1-mo. forward	1.0001	0.9999	0.7257	1.3780
3-mos. forward	1.0002	0.9998	0.7258	1.3778
6-mos. forward	1.0008	0.9992	0.7262	1.3771
Czech Rep. koruna-b	26.228	0.0381	19.032	0.0525
Denmark krone	7.4442	0.1343	5.4018	0.1851
Hungary forint	273.87	0.003651	198.73	0.005032
Norway krone	8.1914	0.1221	5.9440	0.1682
Poland zloty	4.0703	0.2457	2.9536	0.3386
Russia ruble-d	41.590	0.02404	30.179	0.03314
Sweden krona	10.1774	0.0983	7.3851	0.1354
Switzerland franc	1.4663	0.6820	1.0640	0.9398
1-mo. forward	1.4661	0.6821	1.0638	0.9400
3-mos. forward	1.4655	0.6824	1.0634	0.9404
6-mos. forward	1.4645	0.6828	1.0627	0.9410
Turkey lira	2.0782	0.4812	1.5080	0.6631
U.K. pound	0.8732	1.1452	0.6336	1.5782
1-mo. forward	0.8734	1.1450	0.6338	1.5779
3-mos. forward	0.8738	1.1445	0.6340	1.5772
6-mos. forward	0.8743	1.1437	0.6344	1.5762
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5195	1.9248	0.3770	2.6526
Egypt pound-a	7.5417	0.1326	5.4725	0.1827
Israel shekel	5.1438	0.1944	3.7325	0.2679
Jordan dinar	0.9760	1.0245	0.7083	1.4119
Kuwait dinar	0.3969	2.5197	0.2880	3.4725
Lebanon pound	2077.49	0.0004814	1507.50	0.0006634
Saudi Arabia riyal	5.1685	0.1935	3.7505	0.2666
South Africa rand	10.5549	0.0947	7.6590	0.1306
United Arab dirham	5.0617	0.1976	3.6730	0.2723
SDR -f	0.8920	1.1211	0.6473	1.5450

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
51	**ASIA-PACIFIC**	DJ Asia-Pacific	120.27	-0.86	**-0.71%**	-2.3%	39.8%
...	Australia	SPX/ASX 200	4621.60	-26.29	**-0.57**	-5.1	34.8
...	China	CBN 600	26621.66	-25.19	**-0.09**	-8.4	51.3
19	Hong Kong	Hang Seng	20341.64	-380.44	**-1.84**	-7.0	54.4
19	India	Sensex	16224.95	-271.10	**-1.64**	-7.1	78.5
...	Indonesia	Jakarta Composite	2593.220	-11.329	**-0.43**	2.3	95.3
...	Japan	Nikkei Stock Average	10355.98	-48.35	**-0.46**	-1.8	30.3
...		Topix	911.09	-4.59	**-0.50**	0.4	15.9
...	Malaysia	Kuala Lumpur Composite	1265.03	-2.12	**-0.17**	-0.6	43.8
...	New Zealand	NZSX-50	3148.939	13.826	**0.44%**	-2.5	13.5
9	Pakistan	KSE 100	9769.73	142.10	**1.48**	4.1	76.5
13	Philippines	Manila Composite	2914.87	30.06	**1.04**	-4.5	54.1
...	Singapore	Straits Times	2744.98	-19.86	**-0.72**	-5.3	61.0
11	South Korea	Kospi	1616.42	1.40	**0.09**	-3.9	37.2
20	Taiwan	Weighted	7542.04	-5.94	**-0.08**	-7.9	72.9
10	Thailand	SET	702.52	-5.13	**-0.72**	-4.4	62.1
58	**EUROPE**	DJ Stoxx 600	242.70	-6.70	**-2.69**	-4.1	25.0
23		DJ Stoxx 50	2424.83	-70.99	**-2.84**	-6.0	20.7
70	**Euro Zone**	DJ Euro Stoxx	256.07	-8.49	**-3.21%**	-6.8%	21.6%
21		DJ Euro Stoxx 50	2709.85	-94.76	**-3.38**	-8.6	18.5
20	Denmark	OMX Copenhagen	334.24	-4.23	**-1.25**	5.9	40.0
21	Finland	OMX Helsinki	6652.41	-135.95	**-2.00**	3.0	27.6
19	France	CAC-40	3689.25	-104.22	**-2.75**	-6.3	20.3
23	Germany	DAX	5533.24	-138.85	**-2.45**	-7.1	22.7
15	Italy	FTSE MIB	21404.82	-764.43	**-3.45**	-7.9	18.8
...	Netherlands	AEX	323.23	-9.80	**-2.94**	-3.6	28.0
...	Russia	RTSI	1463.01	-44.14	**-2.93**	2.5	185.1
10	Spain	IBEX 35	10241.7	-646.7	**-5.94**	-14.2	21.3
14	Switzerland	SMI	6396.51	-157.29	**-2.40**	-2.3	25.3
...	Turkey	ISE National 100	53463.88	-1604.82	**-2.91**	1.2	107.4
14	U.K.	FTSE 100	5139.31	-113.84	**-2.17**	-5.1	21.5
18	**AMERICAS**	DJ Americas	285.33	-5.18	**-1.78**	-3.8	33.0
..	Brazil	Bovespa	64667.71	-2440.84	**-3.64**	-5.7	57.0
...	Argentina	Merval	2254.97	-70.82	**-3.04**	-2.8	104.8
21	Mexico	IPC	30599.04	-688.00	**-2.20**	-4.7	55.2

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.19%	20	**DJ Global Index**	217.21	-4.02	**-1.82%**	-4.3%	35.9%	-8.5%
1.94	20	**Global DOW**	1902.65	-13.78	**-0.72**	-4.1	34.9	-4.7
2.34		**Asia/Pacific 600**	113.75	-0.72	**-0.63**	-0.8	30.7	-8.7
1.79	15	**Emerging Markets**	264.05	-5.24	**-1.95**	-5.7	74.7	1.0
2.14	51	**Asia/Pacific**	120.27	-0.86	**-0.71**	-2.3	39.8	-6.9
2.43	17	**Asia/Pacific ex-Japan**	296.29	-3.76	**-1.25**	-6.1	74.2	-1.8
2.63	22	**Southeast Asia**	152.20	-0.84	**-0.55**	-5.4	78.7	-0.2
0.89	27	**CBN China 600** -c	26621.66	-25.20	**-0.09**	-8.4	51.3	14.3
0.91	30	**Shanghai**	357.84	0.07	**0.02**	-7.7	50.9	14.3
0.60	44	**Shenzhen**	390.40	1.06	**0.27**	-6.3	74.5	21.5
2.37	18	**China Offshore 50**	3755.33	-79.91	**-2.08**	-7.9	51.3	5.1
7.37	10	**Australia LPT** -c, d	1171.29	5.27	**0.45**	0.7	39.2	-22.5

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.12%	15	**Islamic Market**	1895.46	-32.60	**-1.69%**	-4.0%	32.6%	-3.6%
2.42	16	**Islamic Market 100**	2040.53	-30.29	**-1.46**	-3.8	22.3	-4.0
9.42		**Bahrain**	124.62	-0.75	**-0.60**	2.4	-7.9	-12.2
2.96	43	**Kuwait**	190.01	-0.56	**-0.30**	-2.4	-0.7	-16.8
2.67	18	**Sustainability**	950.75	-21.55	**-2.22**	-6.1	35.1	-9.7
2.53	58	**Stoxx 600 -p**	259.16	-2.17	**-0.83**	-4.7	38.4	-11.0
4.09	18	**Stoxx Select Div 30 -p**	1712.88	-15.45	**-0.89**	-4.6	35.5	-22.9
3.67	25	**Euro Stoxx Sel Div 30 -p**	2037.27	-23.23	**-1.13**	-4.2	44.2	-18.7
1.77	24	**DJ U.S. TSM**	11148.24	-182.32	**-1.61**	-3.0	30.5	-8.7
4.27	15	**U.S. Select Dividend -d**	634.48	-7.27	**-1.13**	-2.5	29.2	-11.4
4.95		**U.S. REIT**	138.11	-2.28	**-1.62**	-5.0	41.0	-21.7
		DJ-UBS Commodity -p	131.18	-1.82	**-1.37**	-5.8	19.0	-7.4

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.147	0.634	1.070	6.827	0.726	7.769	46.255	9319.66	90.350	1.447	1148.70	3.421	46.175	1.418	1.064	32.027	33.125
Australia	0.872		0.552	0.933	5.950	0.632	6.771	40.316	8123.02	78.749	1.261	1001.21	2.982	40.246	1.236	0.927	27.915	28.872
Britain	1.578	1.811		1.689	10.774	1.145	12.261	73.000	14708.29	142.590	2.284	1812.88	5.399	72.873	2.238	1.679	50.546	52.278
Canada	0.935	1.072	0.592		6.380	0.678	7.261	43.229	8709.97	84.439	1.353	1073.55	3.197	43.154	1.325	0.994	29.932	30.958
China	0.1465	0.168	0.093	0.157		0.106	1.138	6.775	1365.15	13.235	0.212	168.26	0.501	6.764	0.208	0.156	4.691	4.852
Euro	1.378	1.581	0.873	1.475	9.408		10.706	63.744	12843.43	124.511	1.994	1583.02	4.714	63.634	1.954	1.466	44.137	45.650
Hong Kong	0.129	0.148	0.082	0.138	0.879	0.093		5.954	1199.64	11.630	0.186	147.86	0.440	5.944	0.183	0.137	4.123	4.264
India	0.0216	0.0248	0.0137	0.0231	0.1476	0.0157	0.1680		201.48	1.9533	0.0313	24.83	0.0740	0.9983	0.0307	0.0230	0.6924	0.7161
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0097	0.0002	0.12	0.0004	0.0050	0.0002	0.0001	0.0034	0.0036
Japan	0.011	0.013	0.007	0.012	0.076	0.008	0.086	0.512	103.15		0.016	12.71	0.038	0.511	0.016	0.012	0.354	0.367
New Zealand	0.691	0.793	0.438	0.739	4.717	0.501	5.368	31.962	6439.89	62.432		793.75	2.364	31.907	0.980	0.735	22.131	22.889
South Korea	0.0009	0.0010	0.0006	0.0009	0.0059	0.0006	0.0068	0.0403	8.11	0.0787	0.0013		0.0030	0.0402	0.0012	0.0009	0.0279	0.0288
Malaysia	0.292	0.335	0.185	0.313	1.996	0.212	2.271	13.521	2724.25	26.410	0.423	335.78		13.498	0.415	0.311	9.362	9.683
Philippines	0.022	0.025	0.014	0.023	0.148	0.016	0.168	1.002	201.83	1.957	0.031	24.88	0.074		0.031	0.023	0.694	0.717
Singapore	0.705	0.809	0.447	0.754	4.814	0.512	5.478	32.615	6571.47	63.708	1.020	809.97	2.412	32.559		0.750	22.583	23.357
Switzerland	0.940	1.078	0.596	1.006	6.416	0.682	7.301	43.473	8759.08	84.915	1.360	1079.60	3.215	43.398	1.333		30.101	31.133
Taiwan	0.031	0.036	0.020	0.033	0.213	0.023	0.243	1.444	290.99	2.821	0.045	35.87	0.107	1.442	0.044	0.033		1.034
Thailand	0.030	0.035	0.019	0.032	0.206	0.022	0.235	1.396	281.35	2.728	0.044	34.68	0.103	1.394	0.043	0.032	0.967	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of February. 04, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	26	**ALL COUNTRY (AC) WORLD***	291.38	0.30%	**-2.7%**	40.1%
2.50	27	**World (Developed Markets)**	1,138.91	0.53	**-2.5**	35.8
1.80	116	**World Small Cap**	188.98	0.48	**-0.6**	52.6
2.60	22	**Kokusai (World ex-Japan)**	1,123.12	0.53	**-3.1**	38.5
3.00	27	**EAFE**	1,527.80	0.55	**-3.4**	37.0
2.10	20	**Emerging Markets (EM)**	952.26	-1.24	**-3.8**	79.8
2.60	22	**AC ASIA PACIFIC EX-JAPAN**	396.01	-1.79	**-4.9**	73.5
2.10	22	**AC Far East ex-Japan**	429.26	-2.10	**-4.6**	67.4
1.70	-36	**Japan**	573.47	0.18	**0.9**	17.2
2.00	19	**China**	61.52	2.79	**-5.1**	64.4
0.90	37	**China A (China Domestic)**	3,081.79	2.42	**-8.9**	59.8
2.70	22	**Hong Kong**	9,777.02	1.45	**-3.9**	48.4
1.00	20	**India**	672.36	2.15	**-4.9**	85.4
1.10	16	**Korea**	459.23	1.22	**-4.5**	43.5
2.40	19	**Malaysia**	465.98	0.38	**-0.8**	42.3
3.10	17	**Singapore**	1,542.22	1.83	**-5.1**	56.5
2.60	232	**Taiwan**	274.23	1.88	**-7.3**	71.8
3.00	18	**Thailand**	288.84	2.46	**-4.3**	61.7
4.00	24	**Australia**	958.35	0.95	**-4.3**	31.6
5.40	16	**New Zealand**	83.44	-0.58	**-4.3**	4.1
1.90	32	**US BROAD MARKET**	1,218.68	0.57	**-1.5**	35.4
3.40	17	**EUROPE**	86.51	-0.57	**-2.0**	29.3

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Thursday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 10355.98
▼ **0.46% or 48.35**

The index snapped a three-day win streak on concerns about the recall by Toyota Motor, which fell 3.5%. Strong earnings from Toyota and Sony came after the close.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**121.44**	175	–3	–1.69
Mtshbsh Fin Grp	**116.22**	462	–13	–2.74
Toshiba	**95.50**	436	–17	–3.75
Toyota Motor	**56.51**	3,280	–120	–3.53
Hitachi	**55.72**	305	–5	–1.61

Hang Seng
Hong Kong 20341.64
▼ **1.84% or 380.44**

Energy producer Cnooc slid 2%, taking a breather after Wednesday's 9.4% rise on a strong growth forecast. Esprit shed 0.4% despite stronger-than-expected earnings.

Stock	Volume in millions	Close	Change Net	Change %
Icbc	**276.40**	5.69	–0.14	–2.40
CCB	**275.44**	5.99	–0.11	–1.80
Bank Of China	**242.83**	3.80	–0.04	–1.04
CNOOC	**128.67**	12.08	–0.24	–1.95
PetroChina	**112.00**	8.92	–0.21	–2.30

Sensex
India 16224.95
▼ **1.64% or 271.10**

Shares were dragged down by weakness in banks, metals and technology stocks. The index has shed 7.1% this year. Hindalco Industries fell 6.4%. Infosys Technologies fell 1.9%.

Stock	Volume in millions	Close	Change Net	Change %
Tata Steel-A	**2.05**	577.30	–23.10	–3.85
Jaiprak Asso-A	**2.02**	131.10	–6.30	–4.59
Hindalco-A	**1.86**	146.15	–9.95	–6.37
Dlf-A	**1.63**	321.25	–14.55	–4.33
Reliance Com-A	**0.95**	164.90	–6.15	–3.60

Straits-Times
Singapore 2744.98
▼ **0.72% or 19.86**

The index fell for the fourth time in five sessions as investors waited for Friday's U.S jobs report. CapitaLand was down 2.8%. Raffles Education fell 12% on weak earnings.

Stock	Volume in millions	Close	Change Net	Change %
Golden Agri	**63.71**	0.53	unch	...
Genting Spore	**46.92**	1.08	unch	...
CapitaLand	**28.87**	3.76	–0.11	–2.84
Noble Grp	**11.80**	2.92	–0.04	–1.35
NeptuneOrientLines	**8.73**	1.77	–0.02	–1.12

Asian stocks in the news

Honda Motor
Japan ¥3,220
▲ **2.5% or ¥80**

The auto maker rode momentum from strong financial results posted Wednesday.

Price-to-earnings ratio	**22**
Earnings per share, past four quarters	**144.40**
Dividend yield	**1.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts	**-0.9%**	-2.8%	45.7%
Honda Motor	**2.5%**	2.5%	48.4%

Hutchison Whampoa
Hong Kong HK$56.70
▲ **2.9% or HK$1.60**

The stock continued its upward rise in February after Li Ka-shing raised his stake.

Price-to-earnings ratio	**19**
Earnings per share, past four quarters	**2.99**
Dividend yield	**3.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-0.6%**	-1.0%	49.9%
Hutchison Whampoa	**2.9%**	5.2%	49.2%

BOC Hong Kong (Hldgs)
Hong Kong HK$17.46
▲ **3.2% or HK$0.54**

The bank continues its rise after posting strong earnings on Wednesday.

Price-to-earnings ratio	**63**
Earnings per share, past four quarters	**0.28**
Dividend yield	**1.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**-1.5%**	-2.5%	36.5%
BOC Hong Kong (Hldgs)	**3.2%**	5.1%	116.9%

Caltex Australia
Australia A$9.47
▲ **3.5% or A$0.32**

The stock rebounded from Wednesday's decline.

Price-to-earnings ratio	**61**
Earnings per share, past four quarters	**0.16**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Oil & Gas	**-1.2%**	0.4%	49.3%
Caltex Australia	**3.5%**	2.9%	9.7%

Santos
Australia A$13.76
▲ **4.0% or A$0.53**

CEO David Knox said Asian buyers are interested in buying gas from its proposed Queensland project.

Price-to-earnings ratio	**6**
Earnings per share, past four quarters	**2.37**
Dividend yield	**1.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Oil & Gas	**-1.2%**	0.4%	49.3%
Santos	**4.0%**	4.2%	8.7%

Dainippon Pharm
Japan ¥975
▼ **5.0% or ¥51**

Citigroup cut its rating on the stock to sell.

Price-to-earnings ratio	**20**
Earnings per share, past four quarters	**47.80**
Dividend yield	**1.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Health Care	**0.2%**	-0.4%	18.2%
Dainippon Pharm	**-5.0%**	-0.4%	23.9%

CSR
Australia A$1.73
▼ **6.5% or A$0.12**

An Australian court rejected its demerger proposal.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-0.45**
Dividend yield	**1.4**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources	**-2.0%**	-1.8%	62.5%
CSR	**-6.5%**	-8.2%	23.4%

JTEKT
Japan ¥994
▼ **7.1% or ¥76**

The company warned that its expects to post a steep fiscal year net loss.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-34.20**
Dividend yield	**1.3**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts	**-0.9%**	-2.8%	45.7%
JTEKT	**-7.1%**	-8.7%	69.6%

Toyota Boshoku
Japan ¥1,673
▼ **9.1% or ¥167**

The fallout from the Toyota Motor recall spread to many of its affiliates.

Price-to-earnings ratio	**79**
Earnings per share, past four quarters	**21.30**
Dividend yield	**1.2**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts	**-0.9%**	-2.8%	45.7%
Toyota Boshoku	**-9.1%**	-18.5%	109.4%

Karoon Gas
Australia A$5.91
▼ **11.3% or A$0.76**

The driller reported weak gas-flow rates from a key appraisal well in the Browse Basin.

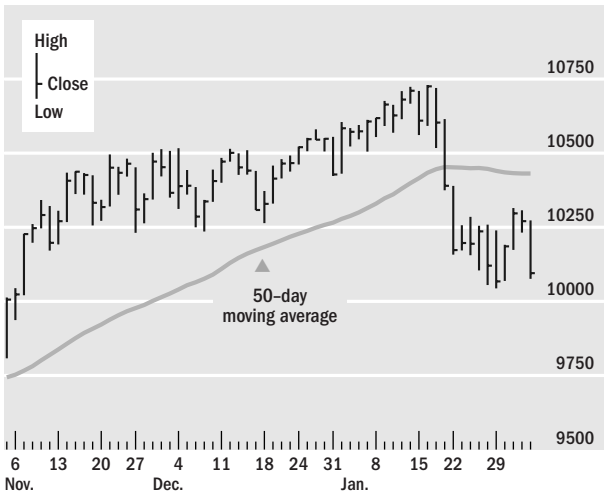
Price-to-earnings ratio	**196**
Earnings per share, past four quarters	**0.03**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Oil & Gas	**-1.2%**	0.4%	49.3%
Karoon Gas	**-11.3%**	-18.3%	84.7%

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 17

LAST: **10095.14** ▼ 175.41, or 1.71%
YEAR TO DATE: ▼ **332.91, or 3.2%**
OVER 52 WEEKS ▲ **2,032.07, or 25.2%**

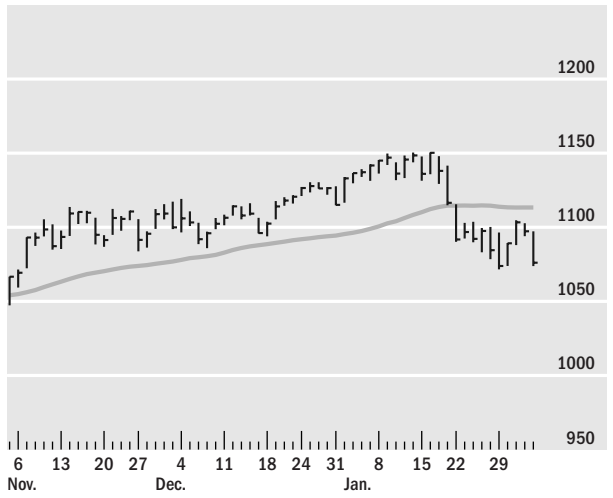


Nasdaq Composite Index P/E: 22*

LAST: **2151.77** ▼ 39.14, or 1.79%
YEAR TO DATE: ▼ **117.38, or 5.2%**
OVER 52 WEEKS ▲ **605.53, or 39.2%**

S&P 500 Index P/E: 31

LAST: **1076.08** ▼ 21.20, or 1.93%
YEAR TO DATE: ▼ **39.02, or 3.5%**
OVER 52 WEEKS ▲ **230.23, or 27.2%**



*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**13.90**	$25.29	-0.29	**-1.13%**
Alcoa	AA	**23.10**	13.05	-0.44	**-3.26**
AmExpress	AXP	**4.50**	37.68	-0.65	**-1.70**
BankAm	BAC	**116.10**	15.01	-0.52	**-3.35**
Boeing	BA	**2.40**	60.12	-1.34	**-2.18**
Caterpillar	CAT	**5.00**	51.99	-1.40	**-2.62**
Chevron	CVX	**6.20**	71.74	-1.47	**-2.01**
CiscoSys	CSCO	**67.00**	23.31	0.24	**1.04**
CocaCola	KO	**4.30**	54.03	-0.84	**-1.53**
Disney	DIS	**5.10**	29.90	-0.85	**-2.76**
DuPont	DD	**4.50**	32.81	-0.68	**-2.03**
ExxonMobil	XOM	**13.40**	65.34	-1.26	**-1.89**
GenElec	GE	**49.50**	16.13	-0.55	**-3.30**
HewlettPk	HPQ	**8.20**	47.39	-1.34	**-2.75**
HomeDpt	HD	**6.10**	28.00	-0.47	**-1.65**
Intel	INTC	**34.70**	19.08	-0.60	**-3.05**
IBM	IBM	**3.40**	123.52	-2.14	**-1.70**
JPMorgChas	JPM	**24.10**	38.74	-1.55	**-3.85**
JohnsJohns	JNJ	**7.70**	63.30	-0.33	**-0.52**
KftFoods	KFT	**23.80**	28.06	-0.42	**-1.47**
McDonalds	MCD	**4.90**	64.31	-0.90	**-1.38**
Merck	MRK	**10.00**	37.64	-1.08	**-2.79**
Microsoft	MSFT	**31.40**	28.02	-0.61	**-2.13**
Pfizer	PFE	**47.30**	18.18	-0.44	**-2.36**
ProctGamb	PG	**5.90**	61.94	-0.71	**-1.14**
3M	MMM	**2.20**	78.93	-2.57	**-3.16**
TravelersCos	TRV	**2.20**	50.31	-0.26	**-0.51**
UnitedTech	UTX	**2.00**	67.08	-1.16	**-1.70**
Verizon	VZ	**10.70**	28.82	-0.37	**-1.27**
WalMart	WMT	**10.20**	53.40	-0.87	**-1.60**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**176.1**	$3.26	–$0.11	**–3.26%**
SPDR S&P 500	SPY	**150.8**	107.45	–2.38	**–2.17**
BankAm	BAC	**119.8**	15.02	–0.52	**–3.32**
SPDR FnclSelSct	XLF	**118.9**	13.97	–0.43	**–2.99**
CiscoSys	CSCO	**72.0**	23.30	0.23	**1.00**
SiriusXM	SIRI	**71.7**	0.84	–0.02	**–2.30**
PwrShrs QQQ	QQQQ	**69.4**	42.92	–0.97	**–2.21**
iShrMSCIEmrgMkt	EEM	**59.7**	37.94	–1.47	**–3.72**
FordMotor	F	**59.7**	11.18	–0.46	**–3.95**
GenElec	GE	**50.4**	16.09	–0.59	**–3.54**
DrxFinancBear 3x	FAZ	**50.1**	20.64	1.54	**8.06**
Pfizer	PFE	**47.6**	18.20	–0.42	**–2.26**
iShrRu2000	IWM	**45.0**	59.71	–1.37	**–2.24**
Intel	INTC	**35.6**	19.05	–0.63	**–3.20**
ProShrsUShrt S&P	SDS	**32.2**	37.39	1.57	**4.38**

Biggest gainers...

Hardinge	HDNG	**679.7**	$8.02	$2.54	**46.35%**
Affymtrix	AFFX	**9,104.0**	7.39	1.72	**30.34**
Amerco	UHAL	**63.3**	41.75	6.11	**17.14**
OverhillFrms	OFI	**281.1**	5.11	0.73	**16.67**
DrxDlLtAmBear 3x	LHB	**23.9**	58.63	7.26	**14.13**

...Biggest losers

SearchMedUn	IDIU	**2.2**	$6.83	-$3.32	**-32.71%**
LithiaMtr A	LAD	**1,081.2**	5.92	-1.91	**-24.39**
Goldcp wt 2011	GG%	**27.0**	3.60	-1.07	**-22.91**
DblTakeSftwr	DBTK	**3,312.6**	8.06	-2.19	**-21.37**
Monstr Wld	MWW	**6,443.9**	13.14	-3.28	**-19.98**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$91.97	$56.79	**Toyota Motor**	TM	**6,315.4**	$71.42	-2.07	**-2.81%**
11.69	6.88	**Taiwan Semi**	TSM	**5,980.9**	9.72	-0.35	**-3.43**
82.74	33.09	**BHP Billiton**	BHP	**3,837.1**	69.35	-3.31	**-4.56**
4.24	1.65	**Utd Microelectronics**	UMC	**3,247.4**	3.57	-0.12	**-3.25**
8.19	4.02	**Siliconware Prec Ind**	SPIL	**2,150.1**	6.10	-0.40	**-6.15**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,872.8**	5.04	-0.21	**-4.00**
13.30	6.35	**AU Optrncs**	AUO	**1,573.8**	10.72	-0.42	**-3.77**
15.95	8.65	**China Unicom**	CHU	**876.1**	10.84	-0.48	**-4.24**
18.20	6.85	**Korea Elec Pwr**	KEP	**848.7**	16.47	0.07	**0.43**
35.59	15.64	**Sony**	SNE	**794.8**	35.30	0.36	**1.03**
18.64	12.59	**SK Telecom**	SKM	**790.1**	16.86	-0.27	**-1.58**
59.22	40.20	**China Mobile**	CHL	**734.1**	47.08	-1.83	**-3.74**
59.13	22.61	**Infosys Tech**	INFY	**707.6**	51.35	-1.85	**-3.48**
24.35	17.71	**NTT**	NTT	**675.7**	21.89	-0.03	**-0.14**
34.27	10.70	**Aluminum Cp of China**	ACH	**643.8**	24.34	-1.37	**-5.33**
5.23	1.57	**Adv Semi Engrg**	ASX	**623.0**	4.00	-0.04	**-0.99**
21.78	11.30	**KT Corp**	KT	**610.0**	20.37	-0.19	**-0.92**
17.14	13.11	**NTT DoCoMo**	DCM	**567.7**	15.81	0.28	**1.80**
81.00	38.70	**China Life Ins**	LFC	**556.5**	64.43	-2.19	**-3.29**
37.23	20.72	**Honda Motor**	HMC	**543.1**	35.02	-1.38	**-3.79**
9.50	3.96	**Nomura Hldgs**	NMR	**502.9**	7.19	-0.36	**-4.77**
17.19	10.60	**Matsushita Elec**	PC	**397.4**	15.64	-0.70	**-4.28**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**192.1**	19.63	-1.09	**-5.26**
150.50	47.09	**POSCO**	PKX	**189.7**	113.70	-5.57	**-4.67**
94.00	46.45	**China Petro & Chem**	SNP	**172.4**	76.32	-2.83	**-3.58**
7.74	2.00	**Alumina**	AWC	**165.4**	5.55	-0.24	**-4.15**
9.82	5.43	**Telecom Corp of NZ**	NZT	**159.9**	8.30	-0.07	**-0.84**
135.92	63.94	**PetroChina**	PTR	**154.1**	111.79	-4.79	**-4.11**
21.22	16.33	**ChunghwaTel**	CHT@	**136.8**	18.40	-0.17	**-0.92**
4.68	1.50	**SemiMfgInt**	SMI	**108.0**	4.20	-0.12	**-2.78**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

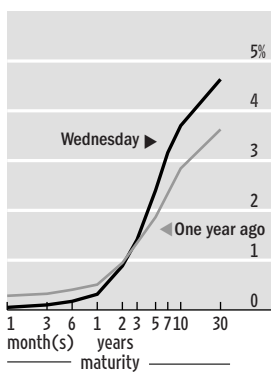
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.500%**	**368.1**	357.4	344.6	**160.9**	**4.445%**	4.517%	**2.591%**
4.500	10	**5.530**	**188.9**	185.6	201.2	**136.9**	**5.535**	5.836	**4.308**
5.000	**Austria** 2	**1.609**	**79.0**	78.1	70.5	**47.6**	**1.652**	1.776	**1.458**
3.900	10	**3.687**	**4.6**	2.0	6.0	**132.7**	**3.699**	3.884	**4.266**
2.000	**Belgium** 2	**1.490**	**67.1**	58.2	5.9	**46.0**	**1.453**	1.130	**1.442**
3.750	10	**3.752**	**11.1**	9.2	-5.5	**139.6**	**3.771**	3.769	**4.335**
1.500	**Canada** 2	**1.292**	**47.3**	43.2	38.2	**35.3**	**1.303**	1.453	**1.335**
3.750	10	**3.386**	**-25.5**	-24.1	-21.7	**18.4**	**3.438**	3.607	**3.123**
4.000	**Denmark** 2	**1.863**	**104.4**	101.8	107.7	**159.2**	**1.889**	2.148	**2.574**
4.000	10	**3.541**	**-10.0**	-11.7	-18.1	**87.0**	**3.562**	3.643	**3.809**
3.750	**France** 2	**1.145**	**32.6**	32.8	24.3	**62.6**	**1.199**	1.314	**1.608**
3.500	10	**3.523**	**-11.8**	-19.6	-20.5	**87.0**	**3.483**	3.619	**3.809**
1.250	**Germany** 2	**1.089**	**27.0**	26.3	28.9	**51.5**	**1.134**	1.360	**1.497**
3.250	10	**3.173**	**-46.8**	-46.1	-43.1	**42.2**	**3.218**	3.393	**3.361**
0.550	**Hong Kong** 2	**0.685**	**-13.4**	-18.5	-34.5	**-28.4**	**0.686**	0.726	**0.698**
2.160	10	**3.099**	**-54.2**	-61.1	-98.4	**-116.5**	**3.068**	2.840	**1.774**
5.000	**Italy** 2	**1.944**	**112.5**	94.6	49.3	**123.2**	**1.817**	1.564	**2.214**
4.250	10	**4.062**	**42.1**	39.6	28.3	**159.2**	**4.075**	4.107	**4.531**
0.200	**Japan** 2	**0.164**	**-65.5**	-70.6	-91.2	**-51.1**	**0.165**	0.159	**0.471**
1.300	10	**1.379**	**-226.2**	-231.4	-249.5	**-159.3**	**1.365**	1.329	**1.346**
2.500	**Netherlands** 2	**1.134**	**31.5**	31.8	-19.1	**79.6**	**1.189**	0.880	**1.778**
4.000	10	**3.372**	**-26.9**	-25.4	-25.3	**99.5**	**3.425**	3.571	**3.934**
3.200	**Portugal** 2	**2.428**	**160.9**	157.2	33.2	**93.7**	**2.443**	1.403	**1.919**
4.750	10	**4.766**	**112.5**	104.5	25.2	**152.8**	**4.724**	4.076	**4.467**
5.350	**Spain** 2	**1.935**	**111.6**	92.0	51.0	**132.4**	**1.791**	1.581	**2.306**
4.000	10	**4.141**	**50.0**	42.8	15.7	**139.1**	**4.107**	3.981	**4.330**
2.750	**Switzerland** 2	**0.505**	**-31.4**	-34.3	-43.9	**-51.2**	**0.528**	0.632	**0.470**
2.250	10	**1.992**	**-164.9**	-166.6	-173.1	**-77.6**	**2.013**	2.093	**2.163**
3.250	**U.K.** 2	**1.169**	**35.0**	33.6	24.7	**70.2**	**1.207**	1.318	**1.684**
4.500	10	**3.893**	**25.2**	22.6	14.3	**83.5**	**3.905**	3.967	**3.774**
0.875	**U.S.** 2	**0.819**	**...**	...	...	**...**	**0.871**	1.071	**0.982**
3.375	10	**3.641**	**...**	...	...	**...**	**3.679**	3.824	**2.939**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.633%**	16.10	–1.94 %	0.44 %	0.44 %	–12.17 %
10-year Treasury	**3.701**	8.17	–0.70	1.46	1.46	–3.67
7 Year Treasury	**3.160**	6.23	–0.43	1.88	1.88	...
Five-year Treasury	**2.404**	4.69	–0.22	1.43	1.43	1.86
Ryan Index	**2.699**	6.67	–0.58	1.17	1.17	–1.13
3 Year Treasury	**1.413**	2.88	–0.10	1.04	1.04	2.97
Two-year Treasury	**0.883**	1.97	–0.09	0.69	0.69	2.18
1 Year Treasury	**0.315**	0.94	–0.02	0.19	0.19	1.23
Six-month Treasury	**0.173**	0.50	...	0.03	0.03	0.64
Ryan Cash Index-a	**0.160**	0.44	–0.01	0.06	0.06	0.60
Three-month bill	**0.101**	0.25	...	0.01	0.01	0.39
One-month bill	**0.051**	0.08	...	...	...	0.15

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.00
ECB	**1.00**	2.00
Switzerland	**0.53**	0.53
Australia	**3.75**	3.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.22844%**	0.44750%
Three month	**0.24875**	1.24125
Six month	**0.38500**	1.77375
One year	**0.84594**	2.08875

	Latest	52 wks ago
Euro Libor		
One month	**0.38563%**	1.69000%
Three month	**0.60625**	2.03875
Six month	**0.92625**	2.13188
One year	**1.20625**	2.22938
Hibor		
One month	**0.07000**	0.28857%
Three month	**0.13000**	0.89571
Six month	**0.24929**	1.25000
One year	**0.54857**	1.65071
Asian dollars		
One month	**0.2416%**	0.45%
Three month	**0.2566**	1.2340
Six month	**0.3930**	1.7640
One year	**0.8510**	2.0800

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.21%**	0.33%
U.K. (BBA)	**0.485**	1.092
Euro zone	**0.30**	1.18

Sources: WSJ Market Data Group; Reuters

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Toyota's problems keep on accelerating

One can only wonder how spectacular **Toyota Motor**'s profit comeback might have been, if not for its recent woes.

A more productive exercise for investors is to consider how quickly Thursday's $880 million annual earnings forecast could be whittled down as those troubles grow.

Toyota says it factored in the impact of its biggest recalls ever, including the hit that will come to sales, when formulating the forecast for the year ending in March. But it is difficult to see how the company can grasp the whole situation with any certainty.

In the last couple of days, the threat to Toyota's brand both in the U.S. and Japan has grown. Regulators in both countries are looking into complaints about brakes on Toyota's iconic Prius hybrid—potential damage from which, Toyota says, wasn't factored into the forecast.

Washington also says it will investigate whether electromagnetic interference might be causing electronic throttle systems to malfunction—something that would be far more complex to fix than a floor mat or sticky gas pedal—and the U.S. Congress plans to hold hearings.

Granted, some of this is alarmist and motivated by lawmakers looking to score political points during an election year at the expense of a company that humbled Detroit.

But even the most recent developments in Toyota's home turf and No. 2 market, after North America, are worrisome. Where the U.S. response might have been painted as a case of protectionism, troubles with cars sold in Japan can't be.

Toyota said Thursday that it was aware of a problem with the Prius brakes and had modified the software for vehicles manufactured starting last month. But it hasn't notified current drivers of the problem, despite dozens of complaints, saying it would deal with the issue, for now, if owners complain.

Back in the U.S., the bad press threatens the residual value of Toyota's cars. If the problems drag out and more recalls follow, this measure of how well a new car holds its value will fall below that of rival Nissan Motor, the Automotive Lease Guide estimates. Beyond perception of the brand among car buyers, the erosion would hit the value of cars returned to Toyota once leases end.

Getting behind Toyota remains risky, as investors who bought into the stock early in the week, thinking the company was on top of the situation, have learned. Until it puts the brakes on its declining reputation, investments in this pillar of Japan Inc. are best left to speculators.

—James Simms

Get ready to tumble?

Value of selected auto brands as share of initial purchase price, 2010 model year

	CHEVROLET	DODGE	Ford	NISSAN	TOYOTA	HONDA
After two years	50%	50%	53%	58%	58%	62%
After three years	43%	42%	47%	51%	52%	54%

Source: Automotive Lease Guide

Market has the upper hand in Greek deficit battle

If the European Commission thought its much-caveated approval of Greece's latest plan to rein in its bloated deficit would draw a line under the country's debt crisis, it should think again.

Greek stocks, bonds and credit-default swaps rallied briefly as the ruling emerged Wednesday, but have since dropped: The Athens bourse fell 3.3% Thursday. In reality, the market is calling the shots, and ultimately will decide whether Greece's attempts to cut its deficit by over nine percentage points of gross domestic product by 2012 are credible. Other highly indebted countries should take note, and not just those in the euro zone.

A few months ago, the commission's stamp of approval might have been enough to reassure investors that Greece's fiscal crisis was manageable. But the best that could be said for Wednesday's ruling is that the market now believes a future bailout for Greece is more likely because the European Union would find it harder to abandon Greece if the country had made an effort to fulfill its obligations. In the short term, that could help keep a lid on bond yields, reflecting the reduced risk of a default.

Greece's fate has implications for the global debate over the timing of the withdrawal of fiscal stimulus. The International Monetary Fund recently warned that countries face the risk of a double-dip recession if they pull back on emergency-support measures too quickly. But if bond markets decide that sustained public spending and high deficits in some countries risk creating an unsustainable debt position, then they will take matters into their own hands.

Spain and Portugal clearly are next in the market's cross hairs. The cost of insuring their debt against default soared again Thursday, and their stock markets fell 6% and 5%, respectively.

Schroders on Wednesday became the latest big investor to warn that the debt markets are in no mood to forgive politicians who fail to grasp their concerns.

Faced with this pressure from the markets, policy makers in highly indebted countries will face an unpalatable choice: cut voluntarily, and take the risk the recovery is damaged; or have cuts forced on them in the midst of a market crisis. They may not have long to make up their minds.

—Richard Barley and Simon Nixon

Rising concern

Cost of insuring debt of 15 Western European sovereigns against default, in percentage points, as measured by Markit iTraxx SovX index.

Note: Data for Thursday is as of midday in Europe.
Source: Markit

How U.S. banks are winning from being second

If you thought all the bank bailouts were over, take a look at what is happening with lenders' large holdings of junior, or "second-lien," mortgages.

These loans stand behind the first mortgage and, in theory, should take a loss before first mortgages in any workout aimed at keeping a borrower in a house. However, government programs aimed at making first mortgages less burdensome have left the junior loans largely unmodified, meaning in some cases the junior lender is basically getting bailed out for free.

That appears to have caused an uneven playing field. When modifying a first mortgage, the pain isn't just felt by banks. Other entities, such as bond investors who hold mortgage-backed securities and taxpayer-backed **Fannie Mae** and **Freddie Mac**, also hold first mortgages. By contrast, junior mortgages are held almost exclusively by banks.

If a borrower with a first mortgage and a home-equity line gets a modification on the senior loan, he or she has more money to pay the junior debt.

The first-mortgage holders suffer, while the junior-mortgage holder, nearly always a bank, benefits. And because junior-mortgage portfolios are huge, such a benefit could be material. At the end of last year, **Bank of America**, **Wells Fargo** and **J.P. Morgan Chase** had combined junior-mortgage loans of $381 billion, compared with $607 billion of first mortgages.

In response, banks say they often hold the first mortgage, too. And they say they have been modifying second mortgages of their own accord. However, banks typically haven't said how many junior mortgages have been modified. BofA is one that does, and says roughly 10% of the 700,000 modifications it has done since the start of 2008 were on second mortgages.

The junior-mortgage issue may yet gain traction. Politicians could decide that modifying more junior mortgages is a way of reducing the fiscal burden of cleaning up the housing mess. As things stand, taxpayer-supported Fannie and Freddie bear the majority of government-sponsored modifications, adding to their losses.

Meanwhile, bond investors holding securities backed by senior mortgages might start to kick up a fuss if these loans continue to take the most pain in modifications.

All this makes junior mortgages an important issue for those holding financial stocks. Banks benefiting from a shield around some of these loans may find it evaporates. If unemployment stays high and foreclosures remain a big economic problem, expect more focus on why junior mortgages aren't always taking the brunt of losses, as they were designed to.

—Peter Eavis

Reality curbs China's reform of steel sector

It's not often that China's central government and its foreign critics find themselves in agreement, as they do in the case of China's overbuilt steel sector. Not that this convergence of views is making reform of the industry noticeably easier.

It has become an article of faith for many that Chinese steel is suffering from chronic overcapacity. The European Chamber of Commerce in China says that in 2008, steel production used only 76% of the country's 660 million-ton capacity. It expects final figures to show that fell to 72% last year.

Such data aren't disputed by China's government, which last year announced successive plans to cut steel industry capacity through consolidation and plant closures; there are some 1,200 steelmakers in China now. In December, the Ministry of Industry and Information Technology set its most ambitious target to date, saying it wants to shut down plants with 16 million tons or less of annual production capacity this year.

Proponents of a leaner industry no doubt welcome the kinds of mergers between large steelmakers being rumored in China's media.

But hopes for steel sector consolidation have already been frustrated. This year was supposed to have seen China's top ten producers accounting for 50% of steel supply, likely a forlorn hope now. Merger activity in the sector is actually slowing, falling in value by more than half last year, Dealogic figures show.

Local governments, fearful of job losses, often put up resistance to consolidation activity.

Local governments, fearful of job losses, often put up resistance to such plans. Moves like imposing minimum output levels on producers, meanwhile, can create perverse incentives: Smaller operators can avoid being shut down by increasing capacity, the opposite of government intentions. Stricter standards designed to eliminate out-of-date capacity have sometimes inspired facility upgrades rather than shutdowns.

Of course, China's fiscal stimulus isn't proving much of a disincentive to investment in China's steel sector. Partly as a result, China already has new steel plants with 58 million tons of capacity under construction, government figures show.

Some have a more sanguine view of the Chinese steel industry's position, saying demand growth in the next few years will soon meet potential supply.

Even that argument supports action to limit the growth of steelmaking capacity, though.

But, not for the first time in China, hopes for reform and reality are rubbing up against each other.

—Andrew Peaple

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